FINANCIAL TIMES

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World Business Newspaper THURSDAY MARCH 23 1995 D8523A

Dispute between Singapore and Manila worsens

Relations between the Philippines and Singapore worsened as both countries recalled their ambassadors for consultations. The moves came after the Singapore government demanded that Filipinos who set fire to a Singaporean flag during protests over the execution of a Filipina maid be "brought to justice". Philippine president Fidel Ramos, angered by the tone of the Singapore government's diplomatic note, told military officers that his government had suspended annual joint naval exercises with Singapore and was considering the future of diplomatic ties. Page 14

Russia warned over Chechnya: US secretary of state Warren Christopher warned that Russia's closening ties with the Group of Seven industrialised nations could be threatened by the campaign in Chechnya. Pressure on Nato, Page 3

Chemicals found in raid: Japanese police who raided buildings of a religious sect discovered stocks of chemicals believed to have been used in Monday's Tokyo nerve gas attack. The death toll from the subway attack has risen to 10. Page 4

Assassination attempt on Saddam's son: The eldest son of Iraqi dictator Saddam Hussein is being treated in an Amman hospital for gunshot wounds he suffered in an assassination attempt last week, sources said.

Odewald quits as head of Kaufhof:

Jens Odewald (left), one of the best known figures in German retailing, has resigned as chairman of the Kaufhof store group over differences of policy. Kaufhof, the country's second biggest retail concern, said Mr Odewald, 54, would leave at the end of this month in "friendly agreement" with the non-executive supervisory board. He will be proposed as a member of the board in July. Page 15; Lex, Page 14

Microsoft, the world's largest computer software company, and DreamWorks SKG, the new Hollywood entertainment studio, are to form a joint venture to produce interactive multimedia software. Page 15

Iran arms build-up: US defence secretary William Perry warned that an Iranian build-up of troops, missiles and chemical weapons on islands in the Straits of Hormuz posed a threat to a shipping lane through which a large portion of oil from the Gulf passes. Page 5

Bombay bourse to reopen today: India's largest bourse will reopen today after a three-day shutdown triggered by a payments' crisis over the weekend. Trade on the Bombay bourse ground to a halt on Monday when leading broker R.S. Jhaveri defaulted on payments of M.S. Shoes East shares.

WTO appointments row: Renato Ruggiero's planned appointment as director-general of the World Trade Organisation was embroiled in haggling over the allocation of deputy posts and uncertainties about US terms for supporting him. Page 8; Editorial Comment, Page 13

White House exploits Republican split: The White House moved to exploit the first evidence of clear divisions inside the Republican-controlled House of Representatives over the size and equity of the party's proposed income tax cuts. Page 6

Move to break EU power deadlock: The European Commission launched fresh proposals to break the deadlock over liberalisation of the European electricity market. Page 2

Singapore trial likely for Leeson: Nick Leeson, the former Barings Bank futures trader, is likely to face trial in Singapore rather than the UK over his alleged role in the collapse of the merchant bank. Page 9

Li to invest $1bn in China: Li Ka-shing, the influential Hong Kong businessman, is preparing to invest more than $1bn in China's ports and electric power industry in the coming years. Page 15; Risk and reward, Page 13

Midland Bank, one of Britain's Big Four High Street banks, is to cut 1,745 jobs this year by eliminating a layer of managers in its branch network and cutting administrative jobs. Page 9

Four killed in Egyptian attack: Suspected Moslem militants killed four Egyptians and wounded four others when they opened fire on a train in the southern province of Minya, about 260km south of Cairo.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,071.92	(-0.69)
NASDAQ Composite	808.53	(-1.25)
Europe and Far East		
CAC40	1,817.98	(+4.2)
DAX	1,982.66	(-0.29)
FT-SE 100	3,139.7	(+4.7)
Nikkei	15,904.8	(-225.11)

■ US LUNCHTIME RATES

Federal Funds	5 15/16%
3-mth Treas Bills: Yld	5.89%
Long Bond	101 1/4
Yield	7.472%

■ OTHER RATES

UK: 3-mo Interbank	6 5/8%	(6 3/4%)
UK: 10 yr Gilt	100 1/2	(100 5/8)
France: 10 yr OAT	98.92	(97.34)
Germany: 10 yr Bund	101.23	(101.57)
Japan: 10 yr JGB	104.954	(104.412)

■ NORTH SEA OIL (Argus)

Brent 15-day (May)	$17.05	(16.75)

■ GOLD

New York: Comex		
(Apr)	$383.5	(382.8)
London:		
close	$382.4	(382.9)

■ DOLLAR

New York: lunchtime		
£	1.5865	
DM	1.40375	
FFr	4.973	
SFr	1.163	
Y	88.8	
London:		
£	1.588	(1.5803)
DM	1.4061	(1.4125)
FFr	4.9855	(5.0002)
SFr	1.1665	(1.172)
Y	88.9	(89.25)

■ STERLING

DM	2.2328	(2.2321)
Tokyo close:		Y 88.95

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

$3bn credit abandoned as outlook worsens

Banks drop plans to join Mexican rescue package

By Richard Waters in New York and Leslie Crawford in Mexico City

A $3bn contribution by commercial banks to the international bail-out of Mexico has been abandoned, removing direct private sector involvement in the rescue.

A senior Mexican Treasury official and a US banker involved in negotiating the deal said yesterday that changes in the plan had removed the need for the credit in its original form.

But other banks outside Mexico said the failure of the bail-out effort reflected fears that the outlook for the Mexican economy had worsened markedly since mid-January, when the credit was agreed in principle.

Mexican officials said that the country still planned to borrow up to $3bn from banks elsewhere, though in a different form. The money would be a medium-term facility, probably used to support a separate World Bank-led rescue for the country's banking system.

"We have sufficient resources to redeem our short-term debt," a senior finance official said. "What we are looking for is a medium-term facility to help the government recapitalise the private banking sector."

The original $3bn credit, led by Citibank and JP Morgan, had been part of an $18bn rescue plan agreed in January after the collapse of the peso plunged Mexico into economic crisis. When that proved inadequate, the amount was included in a revamped $51bn package which relied on support from the US Treasury and International Monetary Fund.

A range of US, European and Japanese banks had agreed in principle to lend the money, though formal terms were never reached.

However, some banks were concerned with the form of the credit. A one-year standby facility, it would only have been drawn on once Mexico had exhausted the $48bn being supplied by the US, the IMF and the Bank for International Settlements.

"We would only have lent the money when they were already bust," one banker in New York said yesterday.

The World Bank and Inter-American Development Bank have already pledged $3bn towards an emergency government fund set up to rescue troubled Mexican banks.

Those banks, privatised only three years ago, were already burdened with bad debts before the December devaluation plunged Mexico into recession.

The Finance Ministry and central bank say they will make 83bn pesos ($11.6bn) available to the country's commercial banks – the equivalent of about 17 per cent of their total loan portfolios – to allow them to restructure non-performing loans.

In a separate development, Standard & Poor's, the US rating agency, cut the rating on Mexico's peso-denominated debt, which could further discourage foreign investors from returning to the Mexican markets.

The agency reduced the country's long-term credit rating from single-A to triple-B-plus, and its short-term rating from A1 to A2. Many mutual funds and other institutional investors are prevented by their internal rules from buying securities rated less than single-A.

The peso weakened yesterday to 7.16 against the dollar against 7.05 on Monday's close (Tuesday was a bank holiday) because of the continued scarcity of dollars in the market. The weekly auction of Cetes – peso-denominated Treasury bills – was undersubscribed.

Argentine bond launch, Page 6

British soldiers prepare to leave Northern Ireland, heralding the start of a troop reduction in the province Report, Page 14 Reuter

Belgian minister quits in blow to coalition

By Lionel Barber in Brussels

Vandenbroucke admits giving order to burn money donated to Socialists

Mr Frank Vandenbroucke, the Belgian foreign minister, resigned last night after he admitted issuing an order to burn money donated to his Flemish Socialist party in 1991 and hidden in safe deposit boxes.

The resignation of Mr Vandenbroucke, who said he was not certain if the money and the boxes were destroyed, is a severe blow to Belgium's fragile coalition government. It seems likely to fuel allegations of corruption inside Belgium's political parties in the 1980s.

The money burning disclosure and the resignation are the latest twists in the so-called "Agusta affair" which has forced the resignation of three Belgian ministers and embroiled two of its most prominent international figures, Mr Willy Claes, secretary general of Nato, and Mr Karel van Miert, EU competition commissioner.

Last month, Mr Vandenbroucke, 39, admitted to knowing about a BFr50m ($1.7m) "gift" which Agusta, the Italian helicopter manufacturer, had offered to the Flemish Socialists in 1988 in connection with the sale of 46 attack and reconnaissance models to the Belgian army.

His statement forced Mr Claes, who was economics minister at the time and who had denied knowledge of the offer, into an embarrassing U-turn. A fortnight ago, a Belgian air force general committed suicide in a Brussels hotel following publicity over his suspected role in arms sales, including Agusta.

Mr Vandenbroucke served as Flemish Socialist party president in 1991. His resignation last night appeared aimed at defusing the controversy which has surrounded his party ahead of a general election on May 21.

Throughout the day, the minister had insisted he would remain in his post, barring accusations from the investigating magistrates in the Agusta affair.

At a hastily convened news conference in the morning, he confirmed a Belgian magazine report that he had ordered Mr Etienne Mangé, the party treasurer, to burn a safebox with the undisclosed sum of money.

He took the action after hearing that the sums were not booked officially into the party accounts.

Mr Mangé is currently being detained over his role in receiving money from Agusta. He has insisted that he informed party officials.

Mr Vandenbroucke stressed that as party president he had tightened control on party contributions. Asked why he did not report the safe deposit box to the judicial authorities, he admitted to acting naively.

"I assumed the money was left over from gifts to the party in the 1980s and I want to stress that until the middle of 1993 it was not illegal for political parties in Belgium to receive gifts," he said.

"I did not want to start an inquiry into the past of the Socialist party," he said. He added he did not know where the money had come from, the amount, or whether the safebox had actually been destroyed.

Mr Vandenbroucke will be succeeded by Mr Eric Derycke, a Flemish Socialist who was previously secretary of state for co-operation and development.

Wall Street surprised as US trade gap jumps to $12.2bn

By Michael Prowse in Washington

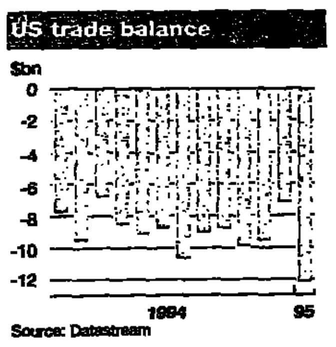
The US trade deficit soared to $12.2bn in January from $7.3bn in December as imports rose and exports to Mexico dropped sharply.

The figures, released yesterday by the US Commerce Department, surprised Wall Street, as most analysts had forecast a deficit of about $9bn. The deficit for goods alone rose to $17.2bn, one of the highest on record, against $12.9bn in December.

The figures were a blow for the Clinton administration and the Federal Reserve, the central bank. US current-account weakness is regarded as one of the main factors depressing the dollar on currency markets.

Fed policymakers meet next week to discuss monetary strategy. The consensus view in financial markets is that they will not raise short-term interest rates, currently 6 per cent, in spite of the dollar's weakness. The Fed focuses mostly on domestic trends and believes that the pace of economic growth is slowing after an unsustainable expansion in the fourth quarter.

US trade balance



Source: Datastream

The deterioration in the balance of payments reflected discouraging trends on both imports and exports. Imports rose 3 per cent from December to $72.9bn while exports dropped nearly 5 per cent to $60.7bn.

The export decline was caused partly by Mexico's financial crisis, which has led to a sharp drop in US exports to Mexico. The US registered a bilateral deficit of $863m with Mexico in January, the biggest for a decade, against a $19m surplus in December. The overall deficit is likely to prompt downward revisions to growth estimates for the first quarter. Many economists expect growth at an annual rate of about half the 4.6 per cent registered in the final period of last year.

The January figures, while disturbing, almost certainly exaggerated the underlying trend.

Merchandise exports, although down sharply in January, were up 14 per cent on the same period in 1994.

"We are not changing our view that dollar weakness is very overdone and that dollar-denominated assets provide good value for non-dollar investors," economists at Merrill Lynch, the financial services group, said.

Lisa Bransten in New York adds: Market reaction to the trade figures was muted. The dollar, which had gained against the D-Mark on Tuesday, resumed its slide and by early afternoon was lower against both the German and Japanese currencies.

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Brussels agrees deal for tighter film and TV quotas

By Caroline Southey in Brussels, Judy Dempsey in Bonn and Raymond Snoddy in London

Compromise measures to protect the European television and film industry from foreign competition were approved yesterday by the European Commission.

However, as Commission members expressed confidence in winning support from member states, the principle of control by Brussels over film and television content received a setback in Germany. The country's highest court ruled that parts of a 1989 European Union directive on "Television without Frontiers" were unconstitutional.

The court decision, reached after a six-year legal battle by eight German states, reinforces their control over television. Under existing German law, television networks fall under the jurisdiction of the 16 individual states and are independent of the federal government.

Brussels' compromise measures, announced by Mr Marcelino Oreja, commissioner for audio-visual affairs, would tighten quotas in the short term but end the system after 10 years. The revised directive will be put to a council meeting early next month.

But the Commission faces a difficult task to secure its passage through the Council of Ministers. An EU official said a number of member states could still vote against the compromise.

In London, the British government expressed "disappointment" at the Brussels decision, while Germany is also expected to vote against the proposals.

Mr Oreja defended the 10-year grace period, saying it would allow the EU time to promote and build its audio-visual industry. Other changes he proposes included removing the words "where practicable" to the clause requiring 51 per cent of material shown by European television channels to be of European origin. France, which is seeking maximum protection for its industry, has spearheaded a campaign to have the loophole

Continued on Page 14

LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

'I'm finished' declares Tapie

French businessman subdued on last day of match-rigging trial, in contrast with early fighting spirit

Mr Bernard Tapie, the French businessman and Radical party politician, yesterday pleaded for clemency on the final day of the trial in which he faces charges of rigging a football match and interfering with witnesses, along with five others, reports Andrew Jack in Paris.

Mr Tapie, former head of Olympique de Marseille football club, was subdued yesterday, in sharp contrast with the forceful spirit he showed when the trial started early last week in the court in the northern French town of Valenciennes. "This affair has finished me, ruined me, left me in a financial and professional situation that is called oblivion," he said in a statement. "I have been heavily punished and I did not expect to be even more so."

Mr Jacques Glassman, captain of football team Valenciennes, has accused Mr Jean-Pierre Bernès, general manager of Olympique de Marseille, of trying to bribe three of his players to lose a match which led to the team's fifth successive French league victory in 1993. The public prosecutor has called for 18 months' imprisonment and a fine of FFr20,000 ($4,016) for Mr Tapie at the end of the case. A verdict is expected on the afternoon of May 15.

At the start of the trial, the hearing was suspended several times following outbursts from Mr Tapie who interrupted the reading of the charge sheet, insulted the public prosecutor and disrupted testimony.

But Mr Tapie's case weakened over the weekend after a key alibi, Mr Jacques Mellick, a fellow left-wing MP, admitted lying. He will now stand trial separately for allegedly putting pressure on a witness to support his false story.

The outlook for Mr Tapie worsened on Monday when Mr Bernès, a former Olympique manager, said he had agreed with Mr Tapie that they would claim a phone call that Mr Bernès received from Mr Boris Primorac, an ex-trainer at Valenciennes, was an offer to rig the match. But Mr Primorac has affirmed that, once the match was played and the bribery allegations surfaced, Mr Tapie offered him money to take the blame for initiating the match-rigging.

On Monday, the politician told the court that he had not always told the truth but that he only "lied in good faith", which caused the judge to reply: "You could get that phrase meditated on in a philosophy manual."

A Paris court declared Mr Tapie personally bankrupt in December in connection with his business affairs, although he is trying to appeal. He is being pursued by his creditors and the French tax office. His decline in recent months is in sharp contrast to his populist image, particularly in Marseilles where he once considered running as mayor.

Bernard Tapie leaves court after pleading for clemency *Reuter*

French weekly alleges delivery of ground-to-air missiles

Pasqua aide linked to Iran arms

By David Buchan in Paris

A close associate of Mr Charles Pasqua, interior minister and key Balladur supporter in the presidential campaign, is alleged in today's L'Express to have helped funnel arms to Iran last autumn.

The weekly suggests that the alleged delivery of the arms, "probably air to ground missiles", was timed to placate Tehran as one of its diplomats went on trial last November on charges of killing in Paris in 1991 of Mr Shapour Bakhtiar, who was Iran's prime minister before the late Ayatollah Khomeini came to power. The diplomat was acquitted, while two other men got long prison sentences.

The claim of a French "Irangate" scandal is potentially damaging to the campaign of Prime Minister Edouard Balladur, who saw his standing in the polls plummet last month after he acknowledged he condoned a phone tapping by Mr Pasqua's police that was eventually declared improper by the judiciary. Mr Pasqua's ministry refused last night to comment on L'Express's story.

According to L'Express, Mr Jean-Charles Marchiani, a long time associate of Mr Pasqua, used his contacts in Tehran and Algiers to arrange the shipment of arms, ostensibly to Algeria which is not – in contrast to Iran – subject to any international arms embargo, but in fact to Iran. Air Algerie is said to have dispatched a civilian aircraft from a military base in Algeria to an airport in France on October 11 last year. It then took off, apparently to return to Algeria, but in mid-flight diverted to Cyprus, where an Iranian aircraft took over its cargo.

L'Express questioned how an export certificate was issued for the shipment to go even to Algeria, whose air force does not appear to use air-to-ground missiles, unless there was possible connivance at the top of the French government allowing the alleged delivery to go ahead.

Mr Pasqua, who was interior minister in 1986-88 when Paris was plagued by a series of Middle East-related bombings, was instrumental in the return to Tehran at the end of 1993 of two Iranians wanted by Switzerland on charges of murdering an Iranian dissident there. At the time the Balladur government cited "national security" reasons for its action. But the Swiss government protested that its request for the two Iranians to be extradited for trial in Switzerland had been approved by a French court, and that France had broken a treaty obligation to Berne.

A senior executive from Bouygues, the French construction and communications group, was freed yesterday afternoon following his detention in police custody in connection with judicial investigations into false invoicing, writes Andrew Jack in Paris. Mr Patrick Leleu, managing director of Bouygues Télécom, a group subsidiary, had been taken into detention along with three other people after raids by police on Tuesday afternoon. The action was taken as part of the growing investigations by Judge Jean-Marie Charpier into an alleged false invoicing FFr45m ($8.9m) in construction contracts in the Paris region. At least ten other people from different companies have been placed under investigation.

Move to break EU power deadlock

By Lionel Barber in Brussels

The European Commission yesterday launched fresh proposals to break the deadlock over liberalisation of the European electricity market.

They involve the introduction of third party access (TPA) to electricity networks in tandem with a modified version of France's "single buyer" approach, which involves a single entity buying and selling electricity.

But Electricité de France (EDF), the French electricity monopoly, immediately dismissed the compromise saying it threatened to undermine the organisation of the national grid and responsibility for the security of supply conferred on EDF in 1946.

Commission officials said the aim of the twin-track approach was to inject new thinking into the stalled negotiations on energy market deregulation in the EU. It would be discussed by energy ministers on June 1.

TPA would let electricity producers supply eligible consumers directly once access to the network has been negotiated. It is opposed by countries with heavily protected industries such as France and Italy on the grounds that it could jeopardise security of supply, or encourage foreign buyers to pick off large energy users.

The French-backed single buyer approach involves creating a national body to buy and sell all electricity and pass it on to distributors, allowing competition only between power producers.

The Commission compromise may arouse opposition from UK electricity producers such as National Power and PowerGen which have criticised the single-buyer approach as incompatible with EU law, a view shared by Mr Karel Van Miert, competition commissioner.

In defence of the plan to operate the two systems in tandem, Brussels officials said the Commission was proposing several conditions to keep competition alive as part of a transition to full liberalisation in the future. They are:

● Consumer choice for eligible consumers. These should have the freedom to bypass the single buyer, and to contract electricity supplies with external producers as well as domestic independents.

● Transparency and non-discrimination. The single buyer should be "unbundled" so as to separate production and supply, and the tariffs should be published clearly.

● There is also a need for increased competition for tendering for new power generation capacity.

The Commission stressed yesterday that the twin-track approach did not amount to new legislative proposals. The proposed directive on negotiated third party access remained on the table.

Turkey rattles sabre at Iraq's Kurds

John Barham witnesses the largest operation in the Middle East since the Gulf war

Convoys of troops began streaming into northern Iraq before dawn on Monday. The airforce and artillery hammered at positions of the separatist Kurdistan Workers Party (PKK) which the Turkish government vows it will destroy once and for all.

This is the largest military operation in the Middle East since the Gulf war and Mrs Tansu Çiller, the prime minister, says it will only end after the PKK is removed from northern Iraq.

The PKK has been fighting a guerrilla war with security forces in mainly Kurdish south-eastern Turkey. It set up refugees in northern Iraq in 1991 after the UN established Iraqi Kurdish safe havens there, protected from Iraq's president Saddam Hussein by a western air umbrella.

Turkey carried out a similar operation in 1992 and mounts occasional air or special forces raids against the PKK in northern Iraq. Turkish generals say another big operation was needed. Their forces now occupy about 10,000 sq km of territory in this Kurdish enclave. They say more than 200 PKK fighters and 13 Turkish soldiers have died.

However, few observers are taking the government's stated objectives at face value. You do not need such a large force to hit the 2,000-3,000 PKK guerrillas believed to be based in the region. Furthermore, the PKK was forewarned after Turkish troops began massing at the frontier earlier this month.

A European diplomat commented: "This is really a warning to the Kurds of Iraq. They have a deal with Turkey – to control the PKK in their area in exchange for financial support – which they are not honouring. Turkey is warning them to do their job or else Turkey will do it for them."

Rival Iraqi Kurdish factions began scrapping with each other soon after the safe havens' establishment. Fighting escalated late last year between the two largest groups over control of the enclave. Clashes have concentrated around the regional capital of Erbil, occupied by the left-wing Patriotic Union of Kurdistan.

Analysts believe Turkey is backing its enemy, the Kurdistan Democratic party. However, their bitter struggle has created a power vacuum in the region, benefiting the PKK.

A Middle East military specialist added that Turkey fears fighting in northern Iraq could lead to the establishment of a separate Kurdish state. Turkey, where Kurds make up a quarter of the population of 60m, would not tolerate a Kurdish state, because it would further encourage the PKK's separatist aims. Indeed, Turkey is justifying its incursion as a defence of Iraq's territorial integrity.

If the military operation seems to be going smoothly, international criticism has been sharp. The invasion's timing was particularly inappropriate, coming just before a visit today by three European Union foreign ministers and EU external political affairs commissioner Hans van den Broek.

The EU demands that Turkey curb human rights violations and advance to full democratisation. Yet Mrs Çiller's promises to reform Turkey's strict anti-terrorism laws or amend the authoritarian 1982 constitution have come to little. Turkish officials always say the fight against terrorism requires exceptional measures.

Fighting in south-east Turkey is escalating sharply. Last year, when the government unleashed its largest-ever offensive against the PKK, was the bloodiest since the insurgency began in 1984.

According to official figures which probably understate the violence, last year 3,905 people including soldiers, guerrillas and civilians, died.

Despite repeated government claims that the war is nearly over, the PKK's estimated 2,000-3,000 guerrillas continue to pin down about 315,000 soldiers, special forces and state-sponsored village guards at a cost of about $8.2bn, roughly a fifth of the budget.

The war is not only worsening Turkey's already severe economic problems, it is dividing Turkish society and poisoning relations with Turkey's western allies. And the great power of the military is warping the political system.

Even if the government does succeed in eliminating the PKK in northern Iraq, its war against the PKK in Turkey is unlikely to end soon. Institutionalised discrimination and army brutality ensure a steady supply of guerrilla recruits. Human rights campaigners accuse security forces of murdering and torturing civilians and destroying villages.

Millions of Kurds have drifted to Istanbul and Ankara as well as regional capitals. In Diyarbakir, the south-east's largest city, the population has grown four-fold to about 1.5m.

One peasant living in a slum on the city's outskirts says: "The state does not like us because we are Kurds. There are millions of us. If the state likes us it would not have burnt our villages. The government pressures us, so people go to the mountains to join the PKK."

Although the PKK also frequently commits abuses such as summary executions, hostage-taking and destruction of civilian property, it is the army that seems to be losing the war for the hearts and minds of the people. The government sees things differently. Mr Salih Sarman, governor of Batman province, says: "People are forced or brainwashed into joining the PKK but by the summer or autumn, terrorism will be finished and the good times will come."

France will lead a trio of European Union foreign ministers to Ankara today at a time when the EU and Nato are split over how to respond to Turkey's armed incursion into northern Iraq in pursuit of Kurdish separatists, writes Lionel Barber in Brussels.

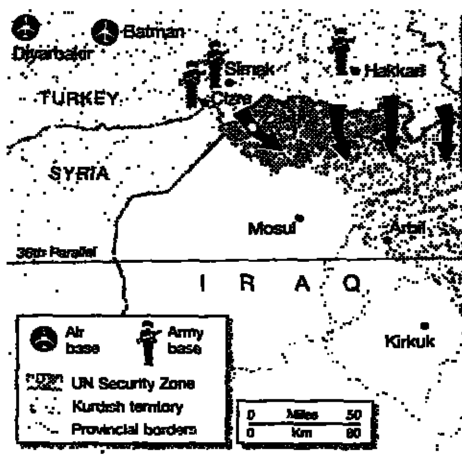
The Europeans are expected to press for assurances that Ankara wind up the military operation as early as possible and avoid further civilian casualties. Fears are growing that Turkey is putting at risk the historic customs union with the EU signed just a fortnight ago.

That agreement requires approval by all 15 member states and the European parliament, and includes provisions on human rights. MEPs have been campaigning for improvements in Turkey's record, especially regarding its Kurdish minority.

If the military operation continues or escalates, it could widen cracks which are already discernible between the US and Europe over policy toward Turkey and neighbouring Iraq. In Europe, there is unhappiness that Mrs Tansu Çiller, Turkey's prime minister, "squared" President Bill Clinton in a telephone call warning of the military action, while leaving the Europeans out in the cold. Both Britain and the US appear more willing to accept Mrs Çiller's assurances that the operation will be limited. They are mindful of the vital role Turkey played in the Gulf war.

However, France, which holds the rotating EU presidency, has condemned Turkey for breaching Iraqi sovereignty and expressed alarm about violations of human rights. Mr Alain Juppé, French foreign minister, was outspoken in Paris on Monday and in Brussels yesterday after the Nato ministerial meeting. He is said to be disappointed in view of French tenacity in pushing the customs union through against Greek opposition.

A spokesman for Mr Hans van den Broek, EU external affairs commissioner, justified Turkish military action on the grounds the Kurdish Workers' party was a terrorist organisation; but he expressed concern about human rights and civilian casualties.



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Booze buoys hopes of Chunnel 'city'

By Andrew Jack in Paris

The British end of the Channel Tunnel may remain relatively barren, but the French side sprouted a lively new attraction yesterday with the opening of the region's largest shopping centre.

After five years of discussions and two of construction, the ambitiously-named Cité de l'Europe opened its doors to shoppers, cinema-goers and diners yesterday at Coquelles, a village within sight of the tunnel entrance.

The regional planners and some of the more sophisticated retailers may have different ideas, but one product in particular looks likely to bring in an international clientèle: alcohol.

"It's true that there is more space given to alcohol than in the typical centre," admitted one official involved in the development. "That's because it is so close to the UK."

Espace Expansion, part of Unibail, the French commercial development group, is predicting 15m visitors a year, generating a turnover of FFr1.6bn (£205m). It has already leased or sold 90 per cent of the 73,000 square metre site to retailers.

French planners for the region are pinning their hopes on the centre as a way of boosting broader economic development. They are even discussing the possibility of opening a hotel next to the centre's 12-screen cinema. But most use of the centre will be more transitory, drawing on a catchment area of 600,000 people who can reach it within 30 minutes, and 7.6m within 90 minutes. That includes 1.4m British residents, on top of the estimated total of 21m people using the tunnel each year.

There are several other unusual aspects to the development, not least the fact that 15 per cent of the space – representing 19 shops – has been leased by non-French retailers. Equally, the investors include Crédit Lyonnais, the loss-making bank currently undergoing a financial restructuring, which is divesting its property interests.

But one of the main driving forces behind the centre is the large difference in alcohol taxes between France and the UK, coupled with the abandonment in 1992, with the introduction of the single European market, of tight curbs on the amount that can be imported.

Carrefour, the French hypermarket chain, will offer a wide range of wines on its 10,000 square metre site, and, perhaps more symbolically, the UK retailer Tesco has opened its first Continental store in the EU in the complex, and the only one dedicated solely to the sale of wines, spirits and beers. It claims its prices will be 80 per cent below those in the UK.

The only other products on sale in the shop – staffed by bilingual assistants – are French chocolates, and some heavy-duty trolleys which could be used to lug large purchases back to the car. "If five of you go through the tunnel in a car for the day, it won't cost very much," said one sales assistant.

Meanwhile, for those that want a rest between shops, the British may also feel at home in two pubs on site: John Bull and Flannagan's.

EUROPEAN NEWS DIGEST

Madrid orders 'torture' probe

Spain yesterday ordered an investigation into the death of two alleged members of Eta, the armed Basque separatist organisation, who were apparently tortured after being kidnapped over the French border 11 years ago. Under pressure from opposition parties to provide an explanation, Mr Felipe González, the prime minister, condemned what he called "an utterly execrable crime" but stood by his former interior minister, Mr José Barrionuevo. The Basque Nationalist party, which shares power in the Spanish Basque country with Mr González's Socialists, has called for Mr Barrionuevo to resign his seat in parliament.

The latest disclosures have added fuel to the controversy over police involvement in alleged killings by the Anti-Terrorist Liberation Groups (Gal) in the mid-1980s, after the Socialists came to power. Forensic experts are reported to have identified two bodies discovered in 1985 near Alicante and to have found signs that they were tortured at length before being killed. Both had apparently had their fingernails and toenails pulled out and been subjected to burns. *David White, Madrid*

Italian telecoms shares hit

Shares in Italian telecommunications companies fell yesterday after Mr Giuliano Amato, head of the country's antitrust authority, warned that state-controlled Telecom Italia might have an unfair advantage over its competitor in developing the market for digital mobile telephones. In a letter to the prime minister and telecoms minister, published yesterday, Mr Amato drew attention to six areas which might sway competition between Telecom Italia and Omnitel Pronto Italia, which won the licence last year to build Italy's second digital mobile phone network.

Telecom Italia plans to launch its digital GSM service, compatible with other national networks in Europe, on April 1, but Omnitel has complained that the state-controlled group has an unfair lead. It will launch a rival GSM service towards the end of this year. The rapid launch was one of the elements identified in Mr Amato's letter as a potential obstacle to competition, although he did not explicitly threaten to take action.

Mr Ernesto Pascale, managing director of Stet, Telecom Italia's quoted parent company, said he was "surprised and concerned" about Mr Amato's intervention, which he said had been made without consulting Telecom Italia. In the absence of a formal regulatory authority for the sector, Mr Amato, a former Italian prime minister, has had to handle such complaints. Mr Agostino Gambino, the telecom minister, said yesterday that the government would propose a new telecoms authority within two months, in time for the sale of the government's 61 per cent stake in Stet before October. He said he had not yet received Mr Amato's letter. Shares in Telecom Italia and Stet were hit by news of Mr Amato's concerns, as were shares in Olivetti, the largest shareholder in Omnitel. *Andrew Hill, Milan*

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Russian budget clears hurdle

Russia's 1995 budget cleared its final legislative hurdle yesterday, when it was overwhelmingly approved by the upper house of parliament. Officials said Russian President Boris Yeltsin was expected to sign the budget into law within the next few days. The budget met fierce resistance from legislators during yesterday morning's debate but, according to official results, when it came to a vote 99 deputies supported the budget against 24 opponents. The result was cast into some doubt later in the day when several legislators accused the government of tampering by registering the votes of absent deputies. But a motion to have the vote recounted failed. Government officials said the vote would clear the way for approval of a $6.4bn IMF standby loan, expected to come up before the fund's board in early April. *Chrystia Freeland, Moscow*

Bonn axes VAT plan for waste

Mr Theo Waigel, Germany's finance minister, yesterday abandoned plans to impose a 15 per cent value added tax on municipal-owned waste disposal, rubbish collection and water purification companies, following an outcry by local authorities. The tax, which has already been imposed on private companies in the sector, was intended to curb next year's budget deficit, which the finance ministry wants to limit to DM60bn ($42.8bn) or about 3 per cent of gross domestic product. The ministry was also looking for ways to finance the coal industry, which is due to receive DM7.5bn in subsidies in 1996 and a further DM7bn for 1997 and 1998. Local authorities feared they would not be able to pass on the tax to consumers at a time when the authorities have to take a larger share of the tax burden carried by the states. *Judy Dempsey, Bonn*

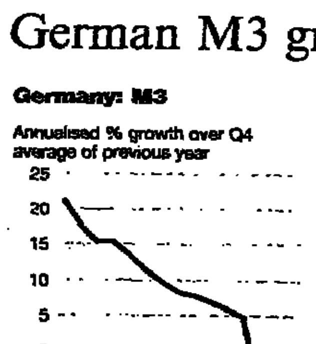
Santer offers fishing talks

Mr Jacques Santer, president of the EU Commission, yesterday wrote to the Canadian prime minister to suggest a fresh round of high-level talks to end the deadlock between the EU and Canada over turbot fishing on the Grand Banks off Newfoundland. Canada has already seized one ship and has warned it would arrest any trawler caught fishing. Canadian authorities said on Tuesday that surveillance flights had spotted at least six other Spanish vessels off the coast of Newfoundland.

Mr Santer proposed that EU and Canadian officials meet during a weekend gathering in Vancouver of senior officials of the Group of Seven industrialised countries. EU officials in Toronto yesterday said that pressure was being put on Spain to withdraw its trawlers from the Grand Banks pending the outcome of talks between the EU and Canada. *Caroline Southey, Brussels and Bernard Simon, Toronto*

ECONOMIC WATCH

German M3 growth slows



Germany's money supply continued its more moderate pace in February, with M3 growth slowing to an annualised rate of 2.7 per cent compared with the fourth quarter of 1993, from 4 per cent in January. Compared with the last quarter of 1994, M3 declined by 3.8 per cent on an annualised basis after a 5.6 per cent fall in January. The Bundesbank said monetary capital formation, with funds moving to longer term investments, was the main reason for the slowdown. However, economists felt the bank would be unlikely to reduce interest rates. Mr Richard Reid, an economist at UBS in Frankfurt, said: "Domestic factors are not yet strong enough to allow the Bundesbank to take risks with its credibility." He added: "The memory of the IG Metall [engineering pay] settlement is still too fresh". *Andrew Fisher, Frankfurt*

■ French consumer prices rose 0.4 per cent in February, with energy recording the largest increase. The consumer price index showed an increase of 0.6 per cent since January and 1.7 per cent over the last 12 months.

■ Finnish GDP growth slowed in the last quarter of 1994 to 0.2 per cent against the third period, when it had 1.4 per cent quarter-on-quarter growth. Fourth-quarter GDP increased 4.4 per cent year-on-year mainly because of continued strong exports.

■ Austria's industrial production rose a preliminary 11 per cent in January from a year earlier, but was down 2 per cent from December.

NEWS: EUROPE

Signals from Russia grow stronger as ministers meet

Nato pressed to shelve enlargement

By Bruce Clark in Moscow

The signals from Moscow on the issue of Nato enlargement grew stronger yesterday as Mr Warren Christopher, the US secretary of state, and Mr Andrei Kozyrev, his Russian counterpart, met in Geneva for talks on European security and other thorny issues.

A leading Russian authority on European affairs said Nato should shelve the issue of enlargement for several years and concentrate on putting in place a formal consultation mechanism between the alliance and Russia.

Mr Sergei Karaganov, director of the Institute of Europe, a think tank, said such an approach was the only one to stand a chance of getting Moscow to reconsider its attitude to Nato enlargement. Otherwise, Russia's view of the project would be unreservedly negative, he added.

"If a Russia-Nato treaty is established, then in two or three years the decision on Nato enlargement would be seen [by Moscow] in a different way," Mr Karaganov said. None of the other formulae so far suggested would resolve the issue.

Mr Kozyrev and Mr Christopher were expected to discuss an exchange of letters on European security between their countries' presidents, as well as the worsening situation in Bosnia.

The start of the talks came shortly after Moscow asserted that its forces in the breakaway region of Chechnya had sealed off the town of Argun, a rebel stronghold.

The intensified fighting was an embarrassment to Mr Christopher, leaving him vulnerable to charges from US Republicans that he is taking too soft a line with Moscow.

Russia's President Boris Yeltsin was reported yesterday to have rebuked Mr Kozyrev and the foreign ministry for having hinted to US officials last month that their position over Nato expansion was softening.

According to the weekly Moscow News, the president scolded the ministry for suggesting to US officials that Russia would be contented by a promise that neither nuclear weapons nor foreign troops would routinely be deployed on the soil of new Nato members.

Mr Yeltsin is reported to have censured Mr Kozyrev for being too quick with concessions and changing line without consulting the head of state.

Intensified fighting in Chechnya is embarrassment for Christopher

Mr Karaganov, a relatively pro-western figure in Russia's foreign policy establishment, said Nato should not imagine it could expand its borders eastwards and pursue an enhanced relationship with Russia at the same time.

A new Russia-Nato relationship would have to be firmly in place and seen to be functioning before Moscow could review its attitude to enlargement, he said.

Mr Karaganov added that if Nato pursued enlargement against Russia's wishes, this would prompt Moscow to take "irrational" steps – such as supporting maverick states, including Serbia, and seeking alliances with countries to its south, such as Iran and Iraq.

Kiev tightens Crimean grip as Moscow's back is turned

Matthew Kaminski and **Chrystia Freeland** on Ukraine's coup

In one of those paradoxical twists which have come to characterise politics in the former Soviet Union, Russia's brutal campaign to subdue Chechen separatists has helped to deal a blow to one of the cherished dreams of hard-core Russian nationalists: the re-incorporation of the Crimean peninsula into Greater Russia.

Dominated by ethnic Russians and only incorporated into Ukraine as a Soviet *grand geste* in 1954, Crimea has long led the list of territories which Russian nationalists believe their country unfairly lost during the break-up of the Soviet Union and which they are lobbying the Kremlin to reabsorb. The prospects of Crimea's re-integration into Russia appeared to be enhanced last year when a separatist president and parliament were swept into office.

Wary of provoking the intervention of Russia on the side of Crimean separatists – a doomsday scenario which US security specialists had warned could trigger a Ukrainian-Russian war – Kiev at first took a tolerant approach towards Crimea's separatist leaders.

But, ironically, Russia's assertion of authority over the breakaway leaders of Chechnya has now provided Kiev with an opportunity to strengthen its claim over a sun-drenched piece of territory much dearer to Russian nationalist hearts than the mountains of Chechnya.

In a dramatic vote orchestrated by President Leonid Kuchma, Ukraine's parliament last week unilaterally abolished Crimea's constitution and sacked its pro-Russian president. Despite the protests of Crimea's feuding politicians, who have been unable to rally significant popular support, Kiev's assertion of direct control over Crimean affairs appears likely to put an end to the danger of Crimean separation from Ukraine.

Mr Kuchma's political coup, which in a week of bloodless diplomacy has given Ukraine far greater control over its breakaway region than Russia has managed to assert after 100 days of fighting in Chechnya, owes its success in large measure to the Chechen war. By clamping down on Crimea at a time when Russian troops continue to bombard Chechen strongholds, Mr Kuchma deprived Crimean separatists of their most powerful potential source of support: the Russian government.

Even in the face of fierce protests from Russian nationalist MPs, the Russian government has been firmly supportive of Ukraine's moves in Crimea. At a time when Moscow is struggling to justify its intervention in Chechnya to the international community on the grounds that it is necessary to preserve the integrity of the Russian state, the Kremlin appears to have judged it impossible to oppose Kiev's far more peaceful effort to preserve the unity of its own country.

As Izvestia, Russia's leading daily newspaper, put it this week: "It seems Leonid Kuchma has selected an ideal moment to cut the Crimean knot. Russia is now so tied up with Chechnya that its leaders have neither the strength, the desire or the possibility of playing the Crimean card."

Ukrainian leaders neatly forced their Russian counterparts into a public show of support by timing their clampdown on Crimea just two days before a senior Russian delegation was due to visit Kiev. The Crimeans asked Russia to call off the talks but Mr Oleg Soskovets, Russia's first deputy prime minister and previously a hardliner toward Ukraine, declared in Kiev on Monday that "internal political events in Ukraine are Ukraine's business". He also is reported to have thanked Mr Kuchma for his reserve during the Chechen war.

The Crimean episode marks a new phase in Ukrainian-Russian relations and will be seen as a vindication of the carefully calibrated Russian policy Mr Kuchma has developed since coming to office last summer. Elected on a pro-Russian campaign platform, he has instead emerged as a fierce defender of Ukrainian statehood. His tough stance over Crimea, which was supported across the political spectrum in Ukraine, has only served to consolidate that reputation.

Yet Mr Kuchma is also wooing Russian investors. This week he told Ukrainians, many of whom fear three centuries of direct political rule from Moscow might be replaced by more subtle economic dominance, that "there's no great difference between dollars and roubles".

Western diplomats in Kiev note that Mr Kuchma's Russian policy is at heart pragmatic: liberal on economic contacts, uncompromising on sovereignty. They add that Ukraine's move last year to shake off its international status as a rogue state, by renouncing nuclear weapons, helped to make this shift possible.

Mr Kuchma's apparently successful move to shore up Ukraine's territorial integrity, at the very time when the Chechen war has underscored the growing power of hard-liners in the Kremlin, also contains an important lesson for western observers. It suggests that while the right-ward shift in Russian politics bodes ill for regions, like Chechnya, which are ultimately too small to stand up to a more muscular Moscow, it presents a valuable opportunity for more powerful states, such as Ukraine, to shore up their own independence.

Ukraine yesterday gave western aid donors further conditional promises to shut down the stricken nuclear reactor at Chernobyl, but some European Union countries are still insisting on a firm timetable before committing money to Kiev, write David Buchan in Paris and Matthew Kaminski in Kiev.

On the second day of a World Bank-chaired meeting in Paris between Ukraine and aid donors, Mr Roman Shpek, the economy minister, said Kiev was committed to finding the technical means to shut down Chernobyl and establishing an alternative source of power.

The donor group, including seven EU states, the US, Canada and Japan, has indicated it might provide up to $850m this year.

The World Bank said that, if the pledges materialised, they would fill this year's $5.5bn financing gap for Ukraine, which is to get $2.1bn from international financial institutions and the equivalent of $2.5bn in a debt settlement with Russia.

However, the EU states present indicated they wanted to confine their collective contribution to no more than one third of the $850m, and stressed that the EU would be seeking further commitments on Chernobyl when a troika of French, German and Spanish ministers visited Kiev next month before taking the unusual step of giving direct balance of payments support.

On Tuesday the US, seeking a leadership role in Ukraine policy, unveiled a $250m aid package. Japan has pledged about $200m but previously has made its support conditional on approval from the EU.

Leonid Kuchma: selected an ideal moment to cut the knot AP

Framatome and Siemens link to design reactor

By David Buchan in Paris

Framatome of France and Siemens of Germany, Europe's two main suppliers of nuclear power reactors, yesterday announced the launch of a joint programme to design a reactor for export and home markets.

Mr Adolf Hüttl, president of Siemens, said in an interview yesterday that, under a new Ecu120m ($157.2m) design contract, partially funded by French and German electricity producers, the two companies would be able by mid-1997 to produce cost estimates and safety specifications for their European pressurised water reactor (EPR).

This would enable the joint venture, Nuclear Power International (NPI), to offer the EPR commercially and make a preliminary safety report to regulatory authorities for licensing.

The venture is potentially the second biggest Franco-German industrial collaboration after Airbus. It will be based in Paris.

In pooling their resources to build the EPR, the two companies believe they can design a 1,400MW reactor which is safer, but no more expensive, than their existing models. Mr Jean-Claude Leny, the president of Framatome, said he believed the EPR had good export prospects in Asia, where Framatome recently won a second big reactor contract at Daya Bay in China.

Mr Leny said it was likely Electricité de France, the monopoly French electricity generator, would choose the EPR model to start replacing its 58 pressurised water reactors in France after the year 2005.

EdF is funding the bulk of the French share of the EPR design contract, in which nine German electricity utilities, accounting for 80 per cent of that country's power generation, are also involved.

But Mr Hüttl admitted prospects for the EPR in Germany were "complicated" by political constraints on the expansion of nuclear power and by the fact that a third of Germany's 20 nuclear plants were boiling water reactors, different from the pressurised water system. "But there is a high probability that the next orders [in Germany] will be for the EPR."

ASIA-PACIFIC NEWS DIGEST

China publishes revised bank law

China yesterday published the revised version of the new central bank law which included provision for limited parliamentary supervision of the bank's activities. Deputies to the National People's Congress had urged that opportunity be provided for scrutiny by the legislature of the People's Bank's operations.

The new law, approved last Saturday, stipulated the central bank should "submit work reports to the Standing Committee of the NPC on the issues of monetary policy and financial regulation." In the draft law, the bank's reporting responsibilities to the NPC had been less clearly defined. The new bank law is aimed at strengthening the central bank's role as the leader in the fight against inflation.

● China's money supply expanded rapidly in the first two months of the year, the State Statistical Bureau said this week. M1 and the broader M2 were up by 29.7 per cent and 38 per cent respectively over the same period last year. China has set 24 per cent growth in M2 as its target for this year. *Tony Walker, Beijing*

US warship visits Chinese port

The USS Bunker Hill docked in the northern Chinese port of Qingdao yesterday for the first visit by a US warship since the 1989 army crackdown on pro-democracy demonstrators in Tiananmen Square. Talks resumed in 1993 and Defence Secretary William Perry visited China last year. But tensions have arisen between the two militaries. Late last year, the US aircraft carrier Kitty Hawk encountered a Chinese nuclear submarine off Qingdao. Chinese fighters flew within sight of US aircraft tracking the submarine. *AP, Qingdao*

Telecoms networks to expand

Telecommunications companies in the Asia-Pacific region plan to spend $350bn over the next five years to expand and modernise networks and this poses future credit quality risks, Moody's, the US credit rating agency, said yesterday. Continuous economic growth, increased urbanisation and population growth, along with an upturn in per-capita incomes, will push up demand for telephones, Moody's Investors Service said.

To meet this extra demand, telecoms groups in 16 Asia-Pacific nations plan to spend $354.2bn. Most funding will come from global capital markets. Moody's warns global bondholders will be asked to absorb new risks. Investors should be wary of shifts in the credit quality of regional telecoms companies as regulation changes grow. *Reuter, Sydney*

Beijing tightens pollution laws

China is to introduce tough laws to curb the discharge of sulphur dioxide, a main ingredient of acid rain affecting 30 per cent of the country. The amount of sulphur dioxide discharged is rising year by year, and causes losses of $1.6bn (£1bn) to crops and buildings in south-west China alone each year. *Reuter, Beijing*

Bangladeshi chairman sacked

The Bangladesh government has sacked Mr Wasek al-Azad, chairman of the state-run Bangladesh Chemical Industries Corporation, for alleged irregularities in distribution of fertiliser. The sacking follows fertiliser price protests which left two dead and over 200 injured in clashes in the past two weeks. Officials said some traders had taken away huge quantities of chemical fertiliser from warehouses and possibly hoarded them to sell at higher prices. *Reuter, Dhaka*

Chemicals found in Japan police raid

By William Dawkins in Tokyo

Japanese police yesterday said that they had discovered stocks of chemicals, believed to have been used in Monday's Tokyo nerve gas attack, in a nationwide police raid on buildings of a religious sect, Aum Shinri Kyo.

Nearly 2,500 police, some wearing gas masks and protective suits, stormed 25 of the sect's communes and offices in Tokyo, central and southern Japan. They seized "several dozen" bottles of acetonitrile, a solvent, at one centre near Mt Fuji.

Traces of acetonitrile were found on the Tokyo subway trains in which the potent nerve gas sarin was released at the peak of the Monday-morning rush-hour.

Two more victims died yesterday, bringing the death toll to 10, and about 75 more remained in serious condition, facing permanent damage to central nervous systems and internal organs. Official estimates of those made ill by the gas rose to 5,500.

Police also found 50 comatose followers at the Mt Fuji centre. They were apparently suffering from malnutrition, having not eaten for a week, said doctors. Six were stretched out in a small chapel. Several followers were arrested for confining people against their will.

Officially, yesterday's raid was in connection with an alleged abduction, for which the police have an arrest warrant for a senior member of Aum Shinri Kyo. But police officials said they would also question group members over the gas attack in Tokyo, and releases of sarin near group buildings last year, as a result of which seven died.

In response, Aum Shinri Kyo repeated its denial of any involvement in the Tokyo attack and accused the police of religious suppression.

The tragedy prompted Japanese government ministers yesterday to call for more countries to ratify an international treaty banning the user of chemical weapons.

An informal cabinet meeting agreed to prepare legislation to ratify the international treaty, plus a special law to ban possession of sarin, for the present parliamentary session ending in mid-June.

The international chemical weapons convention was supposed to come into effect in mid-January, but failed to do so because not enough of the 130 countries which signed it two years ago have yet ratified the document.

It would allow governments to ban the production, possession and sale of such substances as nerve gas, mustard gas and phosgene, a blistering agent.

The treaty needs to be ratified by 65 countries to take legal effect, but only 19 had done so by the deadline. Apart from Japan, other countries yet to ratify include Britain, the US, France and Russia.

Shoko Asahara: head of fringe cult — Reuter

Religious sect led by Shoko Asahara is getting ready for World War III in 1997

Mystical group prepares for Armageddon

By William Dawkins and Emiko Terazono in Tokyo

Mr Shoko Asahara, former acupuncturist, aspiring politician and head of the mystical sect Aum Shinri Kyo, meaning Supreme Truth, is preparing to found an independent nation in 1997.

The career and ambitions of Mr Asahara, whose movement yesterday claimed it was a victim of religious suppression, is an extreme example of the many fringe sects to have found popularity in Japan in recent years.

Mr Asahara, was born, partly blind, as Chizuo Matsumoto, in 1955 in Kumamoto, on the southern island of Kyushu. He took up acupuncture at the local prefectural school in search of a cure.

It appeared to work, so the future prophet opened a drug store near Tokyo, but was prosecuted for selling counterfeit pharmaceuticals.

By 1984, Mr Asahara had gathered a small group of about 10 followers in central Tokyo, the seed of an organisation which now claims to muster 10,000 faithful in Japan, plus 20,000 abroad.

In search of enlightenment, Mr Sahara led his first followers to the Himalayas, to study yoga, in the mid-1980s. The corpulent, bearded saint believes he was delivered from earthly bondage into salvation in 1986.

On Mr Asahara's return to Japan in the same year, he set up a headquarters at Fujinomiya, near Mt Fuji, claiming to be able to save his faithful from a war that will destroy most of the world in 1997.

To qualify for deliverance, followers are required to donate their assets to the group and live in one of its communes, where they learn levitation. This has made the group wealthy, judging by a Japanese police agency report that it last year imported a former Soviet military helicopter.

In further preparation for Armageddon, the group last year set up a prototype government, a miniature model of Japan's public administration.

This is to be the nerve centre of a network of model, self-sufficient villages across Japan, Mr Asahara preaches.

But an attempt to link celestial and secular government failed, when in 1989 Mr Asahara stood unsuccessfully for election to Japan's lower house of parliament, accompanied during his campaign by acolytes wearing white robes and elephant masks. The group formally registered as a religion in the same year.

Today, the group runs 29 communes in Japan, plus branches in Bonn, New York, and until recently Moscow, from where it ran a radio station, broadcasting daily to Japan. But only last week, a Moscow district court ordered the confiscation of Aum Shinri Kyo's assets there, in response to a complaint that it was harming young people.

According to the Yomiuri Shimbun daily newspaper, one of the sect's recent radio broadcasts from Moscow had spoken of mass suicide.

In Japan, Mr Asahara has been the subject of police scrutiny for the past decade. The sect, since the outset, has had a series of legal disputes with parents who have sought to rescue children from the group.

These rows attracted wide public attention in November 1989, with the disappearance of a lawyer representing families wanting the return of their children. The lawyer, his wife and two-year-old daughter were never found.

Three Aum Shinri Kyo followers were arrested in Osaka on Monday, the day of the Tokyo gas attack, for allegedly kidnapping a student, who was at the same time rescued by police.

The official reason for yesterday's raid was to investigate another alleged kidnapping, of a notary who had incurred the sect's wrath by trying to help his sister leave it. The fact they were also looking for, and found, chemicals believed to have been used to make nerve gas invites even more sinister questions.

Additional research by Mitsuko Matsutani and Kuniko Kurimura

Jakarta to speed state sell-offs

By Manuela Saragosa in Jakarta

The Indonesian government wants to accelerate its privatisation schedule to release funds to repay high-interest foreign loans. A high proportion of Indonesia's foreign loans are yen denominated and have become dearer following the Japanese currency's steep rise.

Mr Mar'ie Muhammad, finance minister, was quoted as saying six state firms will be listed overseas and funds raised will be a source for financing Indonesia's loan repayment scheme. Some 40 per cent of Indonesia's foreign debt of $87.6bn, which ranks as one of the developing world's biggest, is yen-denominated.

A privatisation drive is part of the government's 1995-96 budget, starting in April this year. Telkom, the domestic telecoms company and PLN, the electricity company, are among those earmarked to go public.

Many of these privatisations have been on the launch pad for some time. Telkom is selecting an underwriter and has plans to go public on a foreign exchange towards the end of this year. Goldman Sachs, Merrill Lynch, Jardine Fleming, HG Asia, ABN Amro, Credit Suisse, First Boston, Morgan Stanley, JP Morgan, Daiwa Securities and Salomon Brothers are among investment banks submitting bids to underwrite Telkom's international equity offering.

A number of other companies not included in the government's privatisation list for the 1995-96 budget, are gearing up to offer shares on both international and domestic markets.

Tambang Timah, a state-owned tin mining company ranking as the world's biggest in production terms, has submitted a request for simultaneous listing in London and Jakarta this year. Bank Negara Indonesia, a state-owned bank, and Aneka Tambang, a state-owned mining company, are studying a Jakarta listing.

Soaring yen forces first Japan car plant closure in 50 years

By William Dawkins in Tokyo

Nissan, Japan's second largest car maker, yesterday turned a melancholy page in Japanese industrial history. The last car rolled off what used to be Nissan's star assembly line in Zama, near Tokyo, and is now the first Japanese car factory to be closed since the second world war, a victim of the yen's rise.

In the year ending this month, Nissan, exposed to competition from cheap imports, is expected to make a pre-tax unconsolidated loss - its third in three years - of Y60bn (£390m). It will at least break even next year, helped by cost cuts at Zama and elsewhere.

In its 30-year history, Zama has made 11.2m vehicles, a fifth of Nissan's production over that period. It is symbolic of the Japanese car industry's need to live with rising foreign competition that part of the plant will be turned next January into a pre-delivery inspection centre for imported Ford vehicles. Ford's sales growth in the Japanese market now leaves Nissan trailing.

For years, Nissan has dodged the high yen by shifting production to cheaper overseas plants, on a larger scale than other Japanese car makers. Two years ago, it realised it had to go a step further and trim output at home. Then, the yen stood at about Y108 to the dollar. The Japanese currency's recent rise to a record Y88.65 must make Nissan all the more thankful to be rid of the cost of Zama's assembly.

It is an increasingly familiar problem for much of Japanese manufacturing industry. Less well known, however, is the calmness with which Zama's tiny local economy, with its population of 116,000, has coped with the loss of Nissan's 2,500 manufacturing jobs. It is another example of Japan's skill at industrial adjustment.

It is hard to find anyone in Zama who mourns the end of car assembly there. This is partly because Nissan has stuck to the Japanese big company tradition of firing nobody. Most of Zama's ex-car workers have been found jobs either in the more modern plants where Nissan is consolidating assembly (in the southern island of Kyushu, or near Mount Fuji) or in component production around Tokyo. The 500 who were unable to move were found new jobs in Zama, making dies and tools.

It has been harder for Nissan's 400 contractors and subcontractors in and near Zama. "It did not come out of the blue. It is just something we should live through," says the owner of a loss-making producer of car door parts.

He suspected the inevitable five years ago and has responded by diversifying. In a building next door, half his employees pore over microscopes, checking electrical connectors for semiconductor packages. Even so, he feels manufacturing of any kind in Zama has a poor future. He is not encouraging his children to go into industry.

History provides another explanation for local stoicism. The rise and fall of manufacturing businesses is not new to Zama.

Mr Toshio Shimizu, vice-president of the local association of commerce and industry, recounts how the town has over the past decade lost a rubber factory and a steel pipe plant. At the end of this month, it will lose another important industrial company, a producer of refractory bricks. "From the mid-1980s, we knew Zama would be closed at some point. We had come to accept it as natural," says Mr Shimizu.

In the past, new businesses grew up fast, to replace the old. With Zama's closure, the largest employer there is now a Toshiba machine tool plant, followed by a Fanuc robot factory. There is a growing population of small software businesses, says Mr Shimizu. But now, he fears, Zama's capacity to renew its industries is weakening. There are not enough new arrivals to maintain Zama's industrial base at former levels, local officials say.

Remarkably, Zama has, despite the erosion of manufacturing industry, kept the lid on unemployment, now less than 3 per cent, in line with the national average. Many European towns hit by industrial closures would consider themselves lucky to have a jobless rate double that level.

In Zama's case, unemployment stays low partly because former manufacturing workers have easily found jobs in service industries, many provided by their original companies. Today, more than half the town's working population ride the commuter trains to office jobs in central Tokyo.

Here again, Zama illustrates a national trend. The change in Japan's economic structure caused the number of people working in service industries to outnumber manufacturing workers for the first time last year.

Thus, the Nissan subcontractor's son, with his university degree in commerce and trade, will soon board the train to join the Tokyo office crowds, leaving his father to tend his increasingly idle metal presses.

A previous article in this series on industrial adjustment in Japan appeared last Saturday.

Making Nissans at Zama: now a thing of the past — Mike Blank

NISSAN

The Japanese government will extend measures to help the country's small and medium exporters which have been suffering due to the steep appreciation of the yen, reports Emiko Terazono.

Prime Minister Tomiichi Murayama convened an emergency cabinet meeting yesterday to discuss economic measures following the rise of the Japanese currency to record levels. Cabinet ministers agreed that emergency loans and labour adjustment subsidies for small companies (to expire at the end of this month), will be extended.

The announcement failed to support faltering investor confidence and the Nikkei index fell 1.4 per cent to 15,904.85, its lowest since November 1992 and down 10 per cent since the start of the year.

The yen's sharp rise and the negative implications on the country's economy have fuelled expectations of an imminent cut in the official discount rate.

US warns of Iranian weapons build-up

By George Graham in Washington

Mr William Perry, the US defence secretary, warned yesterday that an Iranian build-up of troops, missiles and chemical weapons on islands in the Straits of Hormuz posed a threat to a shipping lane through which a large portion of oil from the Gulf passes.

"It's a deployment of force beyond any reasonable defensive requirement and can only be regarded as a threat to shipping in the area," Mr Perry said in Bahrain.

Although US military officials warned last month that Iran had increased its military presence on the islands of Abu Musa, Bani Tunb and Tunb Buzurg in the Hormuz Straits, President Bill Clinton at the time said there was no undue cause for concern.

But Mr Perry, who is visiting Saudi Arabia and the Gulf emirates this week on a mission to demonstrate the US's military commitment to the region, has repeatedly stepped up his warnings about the Iranian troop presence.

"We really do not know why Iran would choose to deploy chemical weapons there, but we consider it to be a very negative factor," Mr Perry said.

The US attitude to Iran toughened significantly last week when President Clinton issued an executive order to block plans by Conoco, the US oil company, to develop two oil and gas fields for Iran in the Straits of Hormuz.

US officials have consistently complained about Iran's quest for nuclear weapons, its involvement in international terrorism, its support for violent opposition to the Arab-Israeli peace process, its threats to its neighbours and its dismal human rights record.

Search of home of president's estranged wife was unjustified, says Supreme Court

Judge backs Mrs Mandela on police raid

By Roger Matthews in Johannesburg

Mrs Winnie Mandela, the estranged wife of South Africa's President Nelson Mandela, emerged yesterday politically triumphant and legally unblemished from the high profile police raid on her home earlier this month.

Nearly 40 mainly white police, equipped with automatic weapons and dogs, entered Mrs Mandela's Soweto home on March 1 while she was abroad, and took away documents allegedly related to a fraud investigation into the award of housing contracts. Opponents of Mrs Mandela used the raid to intensify demands that she be sacked from her post as deputy minister of arts, culture and science.

But a Supreme Court judge ruled yesterday that there had been no justification for issuing a search warrant, and ordered all documents to be returned to Mrs Mandela.

"The conclusion drawn in issuing the warrants was so devoid of factual content that one can only conclude that the issuing magistrate did not properly consider the matter," said the judge, who also awarded costs to Mrs Mandela.

The ruling African National Congress, which has been divided on what action should be taken over Mrs Mandela's often controversial behaviour, quickly issued a statement condemning the police raid and pledging never to take rash action in the face of unsubstantiated allegations.

The ANC said it hoped "the police will take note of the fact that South Africa is no longer a police state where basic democratic rights of citizens can be trampled upon without recourse to justice."

The statement added: "Equally the ANC hopes that all those of our detractors who are quick to demand that we should act on the basis of untested allegations will draw a lesson from the judgment."

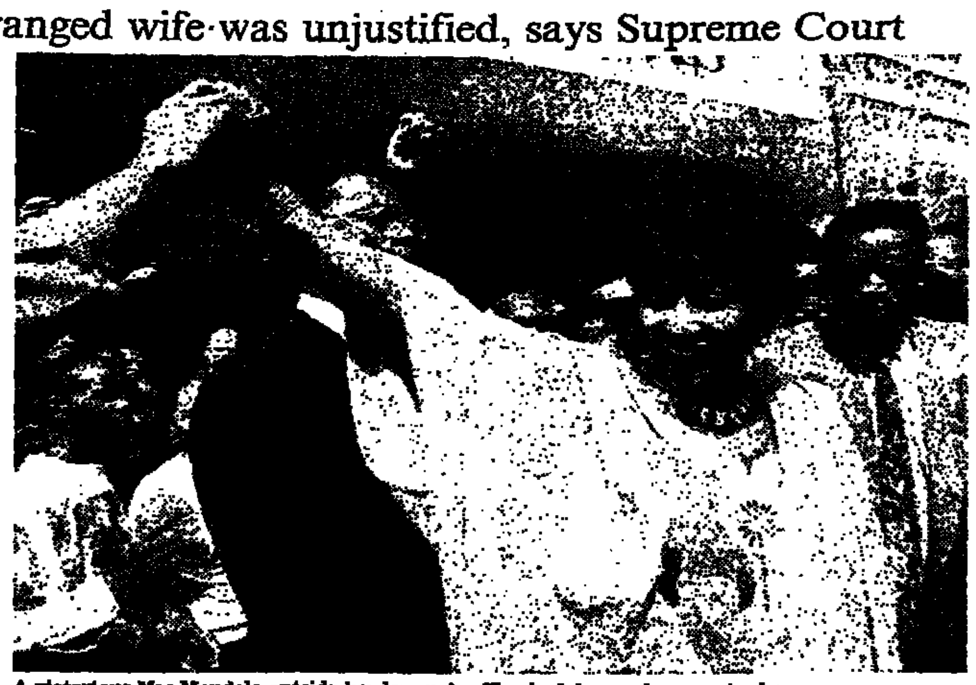
It did not mention that many of those detractors come from within ANC ranks.

The ANC statement appears certain to ease the political pressure on Mrs Mandela whose imminent sacking has been extensively predicted for the past two months.

Last month she travelled abroad against the wishes of the president provoking fresh demands that she should be removed from government. And just prior to that Mrs Mandela had been pressured into a apologising for her suggestion that the government did more for white people than it did for blacks.

The manner of the raid on Mrs Mandela's house also raises more questions about the role of the police.

The ANC, which had not previously criticised the police raid on Mrs Mandela's house, yesterday described the incident as "melodramatic, heavy handed and reminiscent of the past".



A victorious Mrs Mandela outside her lawyer's office in Johannesburg yesterday — Associated Press

Boost for South Africa's entrepreneurs

By Michela Wrong in Johannesburg

The Commonwealth threw its weight behind South Africa's emerging black business community yesterday by opening its first development office in the country and announcing a R100m (£17.5m) private equity fund targeted at small and medium-sized enterprises.

The opening of the Commonwealth Development Corporation (CDC) office in Johannesburg, marking another stage in South Africa's return to the Commonwealth fold, coincides with a visit by Britain's Queen Elizabeth.

Mr Roy Reynolds, the corporation's chief executive, said the aim was to provide risk capital for black businessmen and entrepreneurs from disadvantaged communities who often had problems raising investment locally.

"The idea is very clearly to help the small to medium-sized business. We believe there is quite a big market for this," he said.

CDC is putting up R50m for the fund, with the rest coming from South African merchant bank Investec and the life insurance firm Fedlife. The corporation will also offer post-investment support and advice to businessmen lacking marketing and technical experience.

"There will be an element of hand-holding," admitted a CDC official who said he had already been approached by interested entrepreneurs. "There's no shortage of ideas here but, given the marginalisation of the black community, they often require a lot of input on our side before they can reach bankable form. There's a lack of formal business skills and that takes time to develop."

The CDC, which only backs projects it believes stand a strong chance of commercial success, is also planning to set up a fund offering start-up capital for franchise holders. CDC officials believe the townships offer plenty of scope for trading in established brand names and that the market has so far been unexploited.

Set up in 1948 to encourage private investment in Britain's colonies and ensure food supplies for postwar Britain, the CDC is now one of the largest investors in sub-Saharan Africa. By the end of 1994 it had committed £550m to the region. Tapping into its long-standing links with significant players in other African nations, the CDC hopes to act as a mediator for South African companies as they expand across the continent. With the experience gained playing a role in privatisation programmes sweeping Africa, it also hopes to help when the new South African government starts privatising the public sector.

INTERNATIONAL NEWS DIGEST

Superhighway plan for Africa

AT&T, the largest US telecommunications company, is seeking investors to help it encircle Africa with a $1.9bn optical fibre information superhighway. Mr William B. Carter, president of AT&T Submarine Systems, said "Africa One" – a 33,600km fibre-optic cable which will provide a backbone for communications with, and within, the continent – would create a sophisticated telecoms infrastructure that would boost Africa's economy, create trade and investment opportunities for multinational companies and enhance the competitiveness of African nations.

The plan is that the cable would have landing points in 41 African countries as well as Italy and Saudi Arabia. Africa One was developed by AT&T in response to a request in 1993 from the International telecommunications Union. The ITU, which is responsible for the development of global telecoms policy, is keen to close the communications gap between Africa and the rest of the world. Africa has 2 per cent of the world's main telephone lines but 12 per cent of its population. AT&T is anxious to secure agreement for funds for the project by the end of this year; it expects to have laid the undersea cable by the end of 1999. *Alan Cane, London*

Arab nations in nuclear plan

The Arab League yesterday began to work out a united stand on limiting the length of a renewal of the Nuclear Non-Proliferation Treaty (NPT) and thereby keep up pressure on Israel to join the pact. "We want Israel to join an extension of the treaty for a limited period during which we will re-examine the terms of the treaty," said Mr Abdel Karim Kabariti, Jordanian foreign minister. The US is seeking an unlimited and unconditional extension of the pact which comes up for renewal in April-May at a UN conference in New York.

Israel, which reportedly possesses up to 200 nuclear warheads, refuses to join the treaty or admit officially that it has nuclear arms. The treaty would open its secret facilities to international inspection. *AFP, Cairo*

Lebanon in blockade complaint

Lebanon has complained to the International Maritime Organisation over Israel's blockade of its southern ports. Mr Omar Miskawi, transport minister, urged the United Nations agency to work to end the blockade, saying it threatened the safety of navigation and international maritime trade with Lebanon.

Mr Miskawi said the blockade affected both trade and fishing activities, mainly in the ports of Tyre and Sidon. Israel lifted its original month-long blockade of southern ports, barring fishermen from fishing at night or sailing out more than one kilometre in the day, on March 10 as Mr Warren Christopher, US secretary of state, toured the Middle East. But Israeli gunboats, which patrol south Lebanon's 100km coast to stop seaborne guerrilla raids, resumed firing in the direction of the fishermen off Tyre one day after Mr Christopher left, virtually freezing all fishing activity. Israel imposed the blockade to force Lebanon to ease checks on travellers to and from its south Lebanon occupation zone, but Lebanon refused. *Reuter, Beirut*

White House exploits split in Republicans

By Jurek Martin in Washington

The White House moved rapidly yesterday to exploit the first evidence of clear divisions inside the Republican-controlled House of Representatives over the size and equity of the party's proposed income tax cuts.

Mr Leon Panetta, the chief of staff, immediately noted that the alternative proposals advanced in a letter by 102 of the 230 Republican congressmen were very similar to those already proposed by President Bill Clinton.

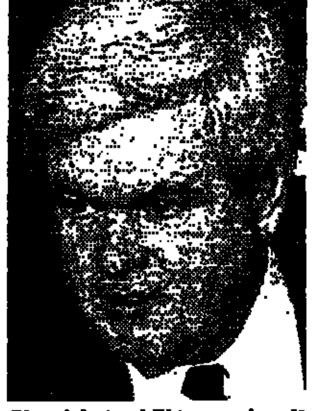
"As our friends from the space programme might put it," he said, "this represents one big step for the Republicans but one small step for the middle class."

The administration has consistently claimed that the Republican policies across the board, including taxation, favour the rich. Mr Robert Rubin, treasury secretary, calculated yesterday that over 50 per cent of the tax cut's benefits would go to families earning over $100,000 annually.

Even Congressman Newt Gingrich, the Speaker, conceded that changing the leadership's proposals was "not out of the question". But in a newspaper article published on Tuesday, before the budding revolt was made public, he described the tax bill as "the crown jewel of the Contract [with America]".

It calls for a flat $500 per child tax credit for every household with income of up to $200,000 a year. The 102 *congressmen proposed a* $95,000 ceiling, whereas Mr Clinton's plan sets the cut-off point at $75,000. The letter's signatories included 10 committee chairmen, 38 subcommittee chairmen and, significantly, 35 of the 73 Republican freshmen who have so far proved unswerving supporters of the Contract.

Congressman John Boehner, head of the Republican caucus, noted yesterday that two weeks remained to iron out disagreements before a vote. But



Gingrich: tax bill 'crown jewel'

Congressman John Kasich, budget committee chairman and a tax cut hardliner, dug in his heels, saying: "I've had it with this rich-poor, class warfare business."

One note of bipartisan harmony was played yesterday when President Bill Clinton signed into law the unfunded mandates legislation passed by both houses earlier. This prohibits Washington from imposing new rules and regulations on the states without providing the funds to implement them.

There was no early sign of a break in the Senate impasse over the line-item veto bill, where a Democratic quasi-filibuster is delaying a vote. It is being led by Senator Robert Byrd from West Virginia, the party's arch-parliamentarian, who argued on the floor yesterday that it was wrong for Congress to hand over so much authority to the president.

He said the Republican proposals meant that "9,626 mini-bills or act-lets" would replace the 13 omnibus appropriations bills Congress now passes annually. "No self-respecting member of the Congress should allow himself or herself to participate in this emasculation of the Constitution."

But another amendment to that venerable document was introduced into Congress making it a crime, under the Constitution, to desecrate the American flag.

Midwest toasts dollar's decline

Michael Prowse visits a region left out of the Reagan boom, which is now among the fastest growing in the US

The falling dollar may have provoked emergency cabinet meetings in Tokyo, but in Chicago – capital of the American Midwest – it is seen as a blessing. By transforming the prospects of US manufacturers, it has helped bring about what Mr Norman Mains, chief economist at the Chicago Mercantile Exchange, calls the "revenge of the rust-belt".

In the 1980s the region sank into a quasi depression. Today there is an almost jaunty air. "We would like to make Chicago the London of the United States," says Mr Gerald Roper, president of Chicago's Chamber of Commerce.

Mr Roper's optimism is a measure of the way spirits have lifted. Chicago has always had plenty to boast about: a spectacular location on the shore of Lake Michigan, the world's biggest futures markets, splendid modern architecture, and first-rate educational and cultural institutions. But it suffered in the 1980s because it catered to a region that seemed in terminal decline. During the Reagan years, economic growth spurted on the east and west coasts, and in the south; the Midwest was not invited to the party.

"It's hard to remember how bad things were 10 years ago," says Mr Jim Annable, chief economist at First National Bank of Chicago. "Exports were virtually dead. Capital equipment was virtually dead. We were on the verge of financial collapse."

Things could hardly be more different today. One of First Chicago's headaches is finding trainee bank tellers. Mr Annable says this is the first time in decades that the bank has had to compete aggressively for junior staff. Its difficulties reflect the tightness of local labour markets.

The regional unemployment rate is 4.6 per cent, the lowest in 20 years. Perhaps more significant, it is well below the national jobless rate of 5.4 per cent – something that nobody would have expected in the 1980s. In some suburbs of Milwaukee, Wisconsin's biggest city, the jobless rate is below 1 per cent.

> Manufacturers are working flat out to meet rising global demand for goods made cheap by the weak dollar

The region's manufacturers are working flat out to meet rising global demand for US goods made absurdly cheap by the decline in the dollar. According to Ms Diane Swonk, regional economist at First Chicago, the rate of industrial capacity utilisation at many local companies is about 95 per cent, against a national average of 85.7 per cent – itself the highest in 15 years. She says high-skilled workers at the Big Three car companies in Detroit earned more than $100,000 last year, including overtime.

Gross domestic product in the region is growing more rapidly than in the nation: real output rose at an annual rate of 7.3 per cent in the Great Lakes region in the final quarter of last year, compared with 4.6 per cent nationally.

The region's share of total US manufacturing output is rising steadily, after a sickening plunge in the late 1970s and early 1980s. And while property markets in cities such as Los Angeles remain soft, the Midwest is enjoying a mini-boom.

Nothing better illustrates the differences between this business cycle upswing, and that of the 1980s, than the revival of the Midwest. A decade ago growth was driven by personal tax cuts, Pentagon procurement and capital gains in financial and real estate markets – none of which helped the region. On the contrary they led to large federal deficits, high real interest rates and a chronically overvalued exchange rate. This compounded the problems of US manufacturers (the big car companies in particular), which were already struggling to compete with foreign rivals.

By the early 1990s most had restructured operations and were ready to take advantage of rising demand. The novel aspect of the recovery is the dynamism of business capital investment and exports. Corporate equipment spending rose by about 18 per cent in real terms in both 1993 and 1994. And spurred by the super-competitive dollar, export growth soared to double-digit rates by late last year.

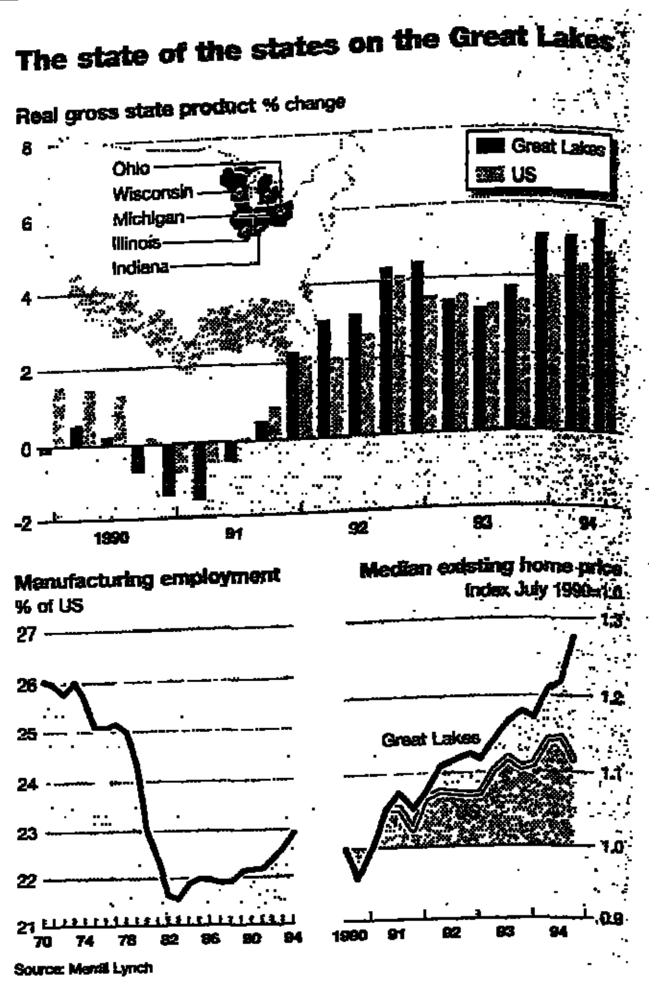
"This area has perhaps benefitted most from the revival of exports," says Mr Mains of the Mercantile Exchange, pointing to the strong recent performance of Caterpillar, John Deere and other makers of heavy machinery.

Being at the cutting edge of an economic recovery, however, has some disadvantages. If tighter monetary policy leads to a "hard landing" the Midwest could suffer disproportionately. Mr David Hensley, a regional analyst at Salomon Brothers, says states specialising in heavy manufacturing are very sensitive to interest rates so "may suffer more pronounced slowdowns than the rest of the nation". The ratio of heavy manufacturing to GDP in many Midwest states is two or three times the national average.

It is also too soon to be certain that the Great Lakes region has reversed its longer-term relative decline. Mr Bob Dederick, economic consultant at Northern Trust, the Chicago bank, points out that population growth remains well below the national average.

This is an ominous sign that people are continuing to migrate to even more dynamic regions such as the Rocky Mountain states and the South East. For the time being, however, Chicago is relishing its comparative prosperity – and toasting the dollar's decline.

The state of the states on the Great Lakes



Source: Merrill Lynch

Argentine rescue package unfolds with $1bn bond

By David Pilling in Buenos Aires

An Argentine $1bn domestic bond, part of an $11.4bn rescue package announced last week, was officially launched on the Buenos Aires stock exchange yesterday amid market speculation that it would be oversubscribed and raise as much as $1.25bn.

The "patriotic" bond, which will carry a coupon of 3 points over Libor, will be bought by most of Argentina's large corporations, which have pledged money in order to shore up confidence in the economy and to increase liquidity in the banking sector.

Argentina has been the Latin *American economy most* affected by fallout from Mexico's financial crisis.

There is concern, however, that it may be more difficult to place the $1bn international tranche of the bond, which is being co-ordinated by Citibank, with Deutsche Bank leading in Europe. The coupon being offered is significantly lower than on other Argentine debt instruments such as the Bonex '89 which yields 14 per cent.

Some of the cash from the domestic bond, the first $250m instalment of which is due to be paid on April 1, will go toward the creation of a *security net for ailing banks.* Mr Domingo Cavallo, the economy minister, said Argentina, whose laws severely restrict the capacity of the central bank to act as a lender of last resort, must act to prevent panic spreading through the financial system. Argentina had "a kind of institutional vacuum that we must fill," he said.

A balance must be found between the state propping up rotten financial institutions and a government that allowed "contagious panic" to spread through a fundamentally healthy system, Mr Cavallo *said. "We are going to intervene* but with great prudence and great responsibility." He said $3.5bn-$3.6bn would be used for the banking sector this year.

Mr Cavallo also predicted the International Monetary Fund would disburse about half the $2.75bn in loans agreed with Argentina during the first two weeks of April.

Mr Guido Di Tella, the foreign minister, is in Washington where he is trying to secure the rapid disbursement of IMF credits, as well as $2.6bn from the World Bank and Inter-American Development Bank. Argentina is hoping at least part of the $2.6bn, much of it to be used for the privatisation of debt-ridden provincial banks, can be released next month.

Mr Cavallo said the Bank of International Settlements was considering a bridge loan for $1bn in anticipation of credits from the World Bank and the IADB.

● President Carlos Menem has said his administration is prepared to help uncover lists of people "disappeared" by military regimes in the 1970s after a federal court ruled earlier this month that names of victims should be published.

The issue of extra-judicial killings, carried out by the military against dissidents during the 1976-83 "Dirty War", has been revived recently after revelations that more than 2,000 of the estimated 10,000 victims were drugged and thrown alive into the Atlantic Ocean from aircraft.

Details of the flights have emerged from interviews published in Pagina/12 newspaper with retired Lt Cmdr Adolfo Francisco Scilingo, who participated in the executions.

Cuba prepares for a second wave of capital

Investment law is set for revision as foreign interest picks up despite the long US embargo, reports Pascal Fletcher

Cuba, undeterred by moves in the US to tighten its 33-year-old economic embargo of the island, is preparing a new foreign investment law it hopes will attract more overseas capital. The legislation under study would seek to simplify and modernise foreign investment procedures and eliminate some of the bottlenecks and rigidities that potential investors have complained about.

"Cuba has to be competitive in the region in terms of facilities for investors," said Mr Octavio Castilla, a deputy minister in the Ministry for Foreign Investment and Economic Co-operation.

The new legislation is *expected to be ready by summer.* It would revise and update the existing Decree Law 50, which first established a legal framework for foreign investment in 1982.

But Decree Law 50 was only applied in practice almost a decade later, when Cuba moved to open its economy to foreign capital in response to the economic crisis caused by the collapse of trade and aid ties with the former Soviet bloc.

Mr Castilla said the revised legislation would address sensitive issues such as the process of negotiation and approval of investments, increased shares for foreign partners in joint ventures with the Cuban state and mechanisms for hiring and laying off workers.

He added that Cuba had so far assimilated what he called a "first wave" of foreign investment since 1990.

Cuban officials estimate that to the end of 1994, foreign investment commitments in Cuba totalled $1.5bn. Mexican, Canadian, Spanish and French entrepreneurs have spearheaded the investment drive in tourism, mining, telecommunications and oil.

"We now see a second wave of investment upcoming which requires an improvement in relation to the foreign investor," said Mr Castilla.

Visiting business people and Havana-based diplomats say that despite Mexico's financial crisis, which had a damping effect on investor interest in all emerging markets, whether developed or relatively undiscovered, foreign interest in Cuba's future potential has increased and should continue to do so.

"Investor interest is picking up. The Cubans are almost getting into second gear now. If the cash flow improves, they can start to do a lot more," one visiting western merchant banker said.

A Cuban economic research body, Havana University's Centre for Studies on the Cuban Economy, has even forecast 2 per cent economic growth in 1995, despite the fact that the sugar harvest will be one of the lowest ever.

But despite assurances from Cuba's top planners that economic reform and foreign investment are irreversible, some foreign business people still complain that Cuban negotiators fail to convey a coherent, long-term vision of the country's economic future and the strategy to arrive there.

> Foreign companies face renewed attempts in the US to curb the flow of investment to Cuba

Cuba's socialist government has been careful to publicly set political limits on the extent of its economic reform drive.

"The cornerstone of our economic policy is the defence of ownership by the state and society," said Mr José Luis Rodríguez, finance minister. In other words, large-scale privatisation is not a policy being considered at the moment.

In addition to questions over the pace and extent of the current economic reforms, and over the country's political future, foreign companies now face renewed attempts in the US to curb the flow of foreign investment to Cuba.

These come from fierce opponents of President Fidel Castro's government, especially the right-wing Cuban exile lobby and its congressional allies.

Mr Jesse Helms, the veteran Republican anti-communist and chairman of the Senate Foreign Relations Committee, has presented measures in Congress which, if approved, would penalise and restrict foreign companies and their executives, and even nations, which trade with or invest in Cuba.

This would in effect extend the scope of the US embargo – already tightened just over two years ago by the Cuban Democracy Act – which was introduced by former President George Bush in the final days of his administration.

The Cuban exile lobby has been particularly angered by reports that executives from leading US companies have been boldly visiting Cuba to check out future business opportunities.

Several US companies are reported to have signed non-binding letters of intent, aimed at setting up negotiating contacts and a business foothold for when the US embargo is finally lifted.

Diplomats in Havana from the European Union and other western nations such as Canada report growing anger and exasperation among Cuba's trading partners with the latest initiatives in the US Congress. "Things are coming to a crunch," one Havana-based ambassador said.

Mr Castilla said Cuba's recent decision to allow foreign investment in previously restricted areas, such as sugar production, services and real estate, had generated a swell of interest. The real estate sector had attracted an "avalanche" of enquiries. "We are looking at how to respond to this," he added.

The government already has one agreement to renovate an office block in Old Havana, reached with the Spanish finance group Argentaria.

Venezuela cabinet reshuffled

President Rafael Caldera of Venezuela reshuffled his economic cabinet yesterday following the resignation of Mr Alberto Poletto as industry minister on Monday, writes Joseph Mann in Caracas.

Mr Poletto found most of his time was spent administering price controls rather than promoting private investment. An advocate of the private sector, he said that "price controls do not promote investment or production".

Mr Werner Corrales, until yesterday the minister of planning, moved to take over the ministry of industry; Mr Edgar Paredes Pisani, former head of the government's statistics office (OCEI), was sworn in as minister of planning; and Mr Raul Alegrett, who served in agricultural posts under Mr Caldera's first presidency from 1969-74, became agriculture minister. Mr Allegreit replaced Mr Ciro Anez, who resigned on Tuesday.

The changes come as Venezuela faces mounting economic crisis. The economy is deep in recession and 16 banks have been taken over by authorities in the past year due to insolvency.

Mr Caldera imposed price and exchange controls last year in an attempt to stem capital flight and curb inflation following a sharp drop in the bolivar's value.

Canada rail delay

Canada's national freight rail network is unlikely to resume full operation until early next week because of delays in getting federal back-to-work legislation through parliament, writes Robert Gibbens in Montreal.

Management employees have kept most of Canadian Pacific's system open, but Canadian National was shut down completely by the rail unions. The dispute with both railways is primarily over job security. The rail stoppages are costing the economy hundreds of millions of dollars daily in higher road haulage costs, lost production and missed deliveries, manufacturers say. Another labour dispute, between longshoremen and the shipping employers, that has closed the port of Montreal for 10 days, tying up more than 8,000 containers, has gone to mediation.

هكذا من الأصل

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Ruggiero faces haggling over jobs and US-imposed terms

By Frances Williams in Geneva

Mr Renato Ruggiero's planned appointment as director-general of the World Trade Organisation was yesterday embroiled in haggling over the allocation of deputy posts and uncertainties about the terms set by the US in return for supporting him.

Though eventual endorsement of Mr Ruggiero, the EU's candidate, was not in doubt, trade envoys in Geneva said they could not approve his appointment until all the terms were settled.

Third World nations are also concerned by reports that Mr Ruggiero suggested in Washington that the contentious issue of labour standards should go on the WTO agenda.

Mr Ruggiero was flying to Geneva yesterday for talks with senior trade diplomats. If all goes smoothly, his appointment could be informally approved today, and then confirmed by a formal meeting of the WTO's general council.

The most heated argument has centred on Tuesday's announcement that Mr Kim Chul-su, former South Korean trade minister and Mr Ruggiero's only rival, was withdrawing from the contest after accepting a US proposal to become a WTO deputy director-general. There is widespread puzzlement in Geneva that Washington felt the need to accommodate Mr Kim, who was backed by most Asian countries, including Japan.

Many developing countries also resent having a deal foisted on them without consultation. "We are not at all happy with the way this has been handled," said one trade diplomat. African countries have argued that creating a new deputy post for Mr Kim, in addition to the existing three deputies from the US, India and Mexico, would further marginalise their continent in the WTO.

Trade diplomats said yesterday that Mr Peter Sutherland, the outgoing director-general, has made clear that he opposed the creation of a fourth deputy post. However, the US apparently disregarded his views and went ahead without even informing Mr Krishnasamy Kesavapany, chairman of the WTO's general council.

Mr Kesavapany was consulting key delegations on the issue yesterday evening. Trade officials said one way of resolving it would be through an agreement that Africa should be offered a deputy post next year when the contracts of the present deputies come up for renewal.

Nikki Tait adds from Sydney: Senator Bob McMullan, federal trade minister of Australia, which had backed Mr Kim, said yesterday that Mr Ruggiero had given assurances on agricultural trade issues.

"Mr Ruggiero supports the inclusion of agriculture in any new round of multilateral trade negotiations, he supports strict enforcement of the Uruguay Round commitments on agriculture..."

Washington weakness shown up

By Nancy Dunne in Washington

The transatlantic row over the leadership of the World Trade Organisation has exposed a chaotic decision-making process in the Clinton administration, in which no one official is in charge of trade policy.

Mr Mickey Kantor, the US trade representative, has repeatedly proved his value as "fixer" of trade disputes, most recently with China. However, unlike some of his predecessors, he has never pretended to be a long-range strategic thinker with clear philosophical convictions about the role of the multilateral trade system.

Mr Kantor has said little in public about his part in the WTO leadership affair, but it was apparent that he backed the US first choice, former Mexican President Carlos Salinas.

The view in Washington was that a former head of state and proven free trader could endow the new organisation with prestige and make it the equal of the World Bank and International Monetary Fund.

It was clear by January that Mr Salinas was tainted by the peso crisis. Yet the US continued to back him until he withdrew from the WTO race earlier this month, out of concern that to do otherwise would further shake international confidence in Mexico. It is much less clear why the administration did not use those months to find a replacement candidate.

In the event, the distracted and slow-moving US team was out-manoeuvred by Sir Leon Brittan, the European trade commissioner, who in February drew from Mr Kantor the admission that either of the remaining WTO candidate would be qualified for the job.

Yet when Mr Salinas withdrew, after his brother was charged in connection with a political assassination, US officials began to talk of stalemate in the WTO contest and to suggest that neither remaining candidate was acceptable. One senior official also accused Mr Ruggiero of being too protectionist.

Mr Kantor was instructed to sort out the leadership after Mr Jacques Santer, the European Commission president, asked President Bill Clinton earlier this months to intervene to resolve the dispute.

Mr Kantor then took diplomatic soundings, which found wide support for Mr Ruggiero in Latin America. Even Japan, which had backed Kim Chulsu, the former Korean trade minister, said the EU candidate would be acceptable.

In the face of this growing consensus, Mr Kantor won assurances from the EU that Mr Ruggiero would serve only one term and be succeeded by a non-European - though the US failed to get Brussels to agree that Mr Ruggiero should serve for only two years.

Mr Kantor apparently judged these concessions sufficient to sell the shift in the US position to Congress and to domestic political opinion. Indeed, he went further: by inviting Mr Ruggiero to a press conference in Washington on Tuesday, he was able to present himself – to the US public at least – not as gracious loser, but as king-maker.

Poorest nations getting poorer

By Frances Williams in Geneva

Economic activity in the world's poorest countries is expected to pick up this year but rapid population growth will lead to a continuing decline in per capita incomes, according to the United Nations Conference on Trade and Development.

Unctad's latest report on the 48 countries defined by the UN as "least developed" (LDCs) notes that economic conditions in the first half of the 1990s have deteriorated after two decades of stagnation. This marks a sharp contrast with other, richer developing countries which have seen an acceleration of economic activity over the past few years.

Unctad predicts 2.3 per cent growth in LDC economies this year after an estimated 1.4 per cent in 1994, still not enough to outstrip population increases averaging nearly 3 per cent a year. Their combined population in 1994 was 580m.

At the same time, LDC economic performance has become more heterogeneous, Unctad points out. A widening gap has emerged between Asia and most of sub-Saharan Africa: Asian LDCs have grown at an annual rate of 3.5-4 per cent during the 1990s while African economies – hit by war and drought – have grown by only about half a per cent a year.

Even within Africa there are big variations, with per capita growth rates of over 4 per cent in Equatorial Guinea and Mozambique in the early 1990s. On average, however, Unctad predicts that African LDCs will grow by 0.9 per cent this year after a slight decline in 1994.

This compares with economic expansion in Asian LDCs of over 4 per cent in 1995, up from 3.5 per cent in 1994.

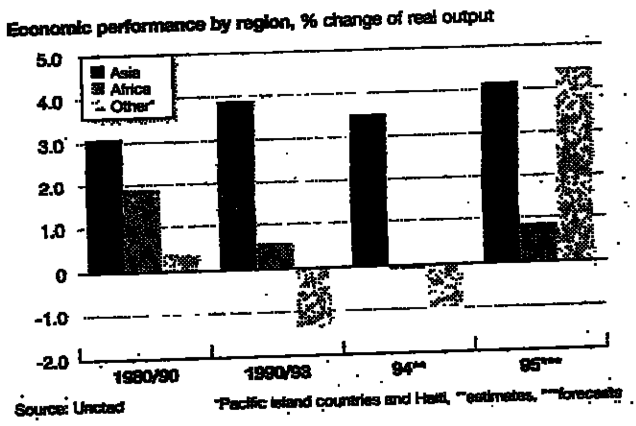
Unctad blames the overall poor performance of LDCs on political conflicts and civil strife in some countries, ill-designed economic reform programmes, low commodity prices and poor trading opportunities, and inadequate assistance from the international community.

In the early 1990s LDCs' share in world exports fell by one-half from the already meagre level of 0.6 per cent in 1980, the report notes, mainly due to their reliance on primary commodities. Overseas aid to these countries has fallen and they remain heavily indebted.

● *The Least Developed Countries 1995 Report (Sales no.E.95.II.D.2). UN Sales Section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 907 0027 ($55).*

Least developed countries: prospects for 1995

Economic performance by region, % change of real output



Source: Unctad *Pacific island countries and Haiti, **estimates, ***forecasts

Much show and few orders at Gulf arms fair

Bernard Gray reports on a lack of interest among customers at the Idex exhibition in Abu Dhabi

The enthusiasm and effort of exhibitors at this year's Idex arms exhibition in Abu Dhabi has been in marked contrast to lack of orders at the show. By some estimates it has cost companies $150m to come to Idex, yet so far it has produced less than that in direct orders and afew agreements to invest in local industry.

Even the presence of senior western defence ministers has not so far produced fruit. Mr William Perry, the US defence secretary, was in Abu Dhabi yesterday and Mr Roger Freeman, the UK defence procurement minister, was at the arms show on Monday. Neither country has yet won significant business.

There are, however, significant orders to be won, and one or two may yet be announced before the show closes today. Nearest the top of the agenda are orders for 12 anti-submarine helicopters and up to 6 frigates for the United Arab Emirates.

Speculation was rife that a long awaited order for helicopters would go to Westland of the UK for its Super Lynx anti-submarine helicopter. However, flurries of discussions and rumours of last minute offers from potential competitors Sikorsky of the US and the Franco-German Eurocopter group filled the show. Interest in anti-submarine warfare has increased markedly in the Gulf since Iran bought two Kilo class diesel submarines from Russia, the first in the Gulf region.

Newport News Shipbuilding is thought to be the front-runner in the competition for frigates, where it its fighting DCN of France and Vosper Thornycroft of the UK.

A Leclerc battle tank: an order for 300 of the French tanks, which feature advanced electronic and antomatic loading, at the last Idex show in 1993 was said to have irritated US companies

Mr Perry's presence at the show yesterday and an agreement between Newport and an Abu Dhabi consortium to establish a ship refitting facility in the UAE was thought to show that a contract was close. Yet here too there has so far been a resounding silence.

Part of the reason for delay may be the negotiations between the UAE and western countries for a series of mutual-defence pacts.

Until these are in place, the UAE is said to be reluctant to commit itself to too many arms purchases.

"Orders will follow defence agreements," said one defence executive. A senior defence official visiting the show said, "I am working on the assumption that the UAE will not place significant orders until it is happy that agreements are in place."

Another reason is said to be the reaction of exhibitors to the spate of orders announced at the last Idex show in 1993. Large orders were announced each day, and those exhibitors who had lost out were badly upset. In particular the order for over 300 French Leclerc tanks is said to have irritated US companies. To prevent the early departure of disappointed allies, the UAE may have opted for discretion rather than valour.

Overall though, the presence of a large number of exhibitors, and the competition between them, is evidence of the poor state of domestic markets and the need to win export orders to keep production lines open.

Equally, the lack of orders from Gulf countries is a reflection of low oil prices and climbing budget deficits.

Those companies trying to win orders have had to cut prices heavily – some are said to be offering equipment at a loss – and to come up with innovative financing packages. Leasing, and bank finance to support larger orders, are increasingly discussed.

"The market is certainly very competitive," acknowledged Brigadier Staff Sultan Al Suwaidi, chairman of the exhibition.

There were at least a few happy arms salesmen. India bought 12 Tunguska self-propelled air defence vehicles, which are manufactured by Russia's state-owned Rosvooruzhenie company. It was the first time the new system had been shown, and demonstrations of the tank-like anti-aircraft machines were held every day on the Idex live firing range.

Perhaps most tantalising, and certainly most watched, is the potential order for up to 80 fighter aircraft for the UAE, which could eventually be worth $4bn. No firm order for the aircraft had been expected at the show, and the earliest likely date is at the Dubai Air Show in the autumn. Nevertheless, aircraft manufacturers were much in evidence at Idex, which is primarily a naval and ground forces show.

McDonnell Douglas of the US is bidding with its F-15 air superiority fighter, and the recently-merged Lockheed Martin with a version of its F-16 lighter single engined aircraft. The UK is offering to supply a squadron of 12 Tornado fighters on lease until the next-generation Eurofighter 2000 becomes available around 2002. Dassault of France has offered the Mirage 2000 and Russian its latest Sukhoi SU-35. None seem sure when the order might come.

Despite sluggish markets in the Gulf, there was a strong presence from many exhibiting countries, particularly newcomers to the area. Russia, Ukraine and South Africa all had large exhibitions alongside the more traditional exporters to the area, such as France, Britain and the US.

There were plenty of traditional stereotypes on show. The French hall was inevitable the most elegant, and naturally enough, was the only one to offer high-quality copper cooking pans for sauces in field kitchens. The new Russian hall was a marked improvement on previous marketing efforts, but still stuck with a Stalinist exhortation to progress at its entrance.

The South African presence was well marketed. However, graphic illustrations of the damage that can be done to individuals with a 40mm outsized six-shooter firing high explosive shells or phosphorus grenades spoke of a darker past. "Artillery for the individual" was the weapon's slogan, and damage rather than deterrence seemed to be the aim.

The British presence was the largest, and was typically understated. There was even room for a little traditional eccentricity. To prove its independence from governments and companies the UK defence research agency pitched its tent away from the rest of British industry. Bizarrely, it was tucked in the back of the Russian stands where, after all, most British defence secrets went during the cold war anyway.

WORLD TRADE NEWS DIGEST

Flanders deal for US West

The Flanders region of Belgium yesterday selected US West, the US telecoms supplier, as its partner in a joint venture to develop its regional telecommunications network. The move threatens to stoke a political row with the Belgian government anxious to protect Belgacom, the state-owned telephone monopoly due to be partly privatised.

Belgium has the largest cable network in the European Union. It is used mainly for television distribution and is a potentially huge market for multimedia services. Mr Elio Di Rupo, the Belgian communications minister, warned the deal could lead to duplication of services in Belgium costing BFr240bn ($8.4bn). "He wants a synergy between Wallonia, Flanders, Brussels and Belgacom. The government believes it would be cheaper if all worked together," a government official said.

The deal involves Telenet Vlaanderen and US West International, a subsidiary of US West. Flemish cable companies and financial groups will own 75 per cent of the company while US West International will hold a maximum 25 per cent stake. The ministry said the government would not intervene in the proposed joint venture but hoped that Mr Luc van den Brande, the Flemish leader, "will understand the ministers' position". *Caroline Southey, Brussels*

Canada's US trade increases

Canada's heavy dependence on trade with the US grew further in the first year of the North American Free Trade Agreement, according to data published by Statistics Canada yesterday. The US accounted for 81.6 per cent of Canada's total exports of C$22.5bn ($15.9bn) in January, up from 77.9 per cent a year earlier. Some 76 per cent of Canada's January imports, totalling C$20.1bn, came from the US, up from 73 per cent a year earlier.

Canada posted a record C$3.1bn trade surplus with the US in January, due mainly to a steep increase in shipments of motor vehicles and parts, fertilisers and various industrial products. In 1988, the year before Washington and Ottawa signed a bilateral free-trade deal, the US accounted for 74 per cent of Canada's exports and 69 per cent of imports. Many US and Canadian companies have integrated their North American operations since the 1989 free-trade deal. Canadian exports, currently running at record levels, have also been boosted by the weaker Canadian dollar. *Bernard Simon, Toronto*

Singapore signs Star TV deal

Singapore's cable television company yesterday signed a deal with Mr Rupert Murdoch's Star TV satellite network to gain access to eight channels. Singapore CableVision (SVC) is Singapore's first private subscription television service. It offers a 24-hour news channel, films from Home Box Office Asia and a Mandarin-language channel. SVC is owned by a consortium comprising Singapore International Media, Singapore Technologies, Press Holdings and the US-based Continental CableVision. The company aims to bring cable TV to the first Singapore home by mid-1995, and have all 750,000 households wired to receive cable TV within five years. No financial details have been released. *Reuter, Singapore*

■ Two Australia-based companies – Hawker de Haviland, part of BTR Nylex, and Honeywell, Australia's Space and Aviation Control Group – have been awarded contracts worth up to A$30m ($22m) to build equipment for the new C-130J Hercules transport aircraft being manufactured by Lockheed in the US. Hawker will build flaps for the aircraft, while the Honeywell unit will supply computer equipment related to aircraft maintenance. The Royal Australian Air Force recently received approval to buy 12 new Hercules. *Nikki Tait and agencies, Sydney*

■ Netscape Communications of the US will start selling software through Japanese sales agents in May which will allow users in Japan access to the Internet personal computer network. The nine agents include Sony, Toshiba, NEC and Mitsubishi. Netscape has already sold 4m copies of such software on the global market since it was introduced in December. *Reuter, Tokyo*

■ Imperial Chemical Industries of the UK is concluding a marketing arrangement with the ICD Group under which ICI will market all the methyl methacrylate produced by ICD in Russia and the Slovak Republic, other than that required for the domestic markets. ICD's plants can make up to 30,000 tonnes of MMA a year for external sales. *Extel, London*

■ Japan's Marubeni and JG Summit of the Philippines have forged a joint venture to build a petrochemical plant. The project includes a polyethylene plant with an annual production capacity of 175,000 tonnes and a polypropylene plant with an annual capacity of 180,000 tonnes. The $350mn project is due to start by early 1997. *Reuter, Manila*

HSBC offshoot to shed 1,745 branch jobs

By John Gapper, Banking Editor

Midland Bank – one of Britain's big four retail banks – yesterday said it would cut 1,745 jobs this year by eliminating a layer of managers in its branch network and by cutting administrative jobs. It is the latest effort by a UK bank to reduce the costs of branch banking.

Midland, which was acquired by HSBC Holdings two years ago, emphasised that senior managers would be moved into its branches. It said that these managers would have greater authority to make rapid lending decisions. All high street banks have been struggling to raise income because of sluggish loan growth. The lack of growth has forced up Midland's ratio of costs to income to well above the target level demanded by HSBC of its subsidiaries.

The Banking, Insurance and Finance Union said a total of 2,050 jobs would be lost among Midland's branch staff this year. It would consider balloting on industrial action if there were any compulsory redundancies.

Midland has pursued a different strategy to others banks by returning managers to branches rather than trying to cut costs by removing lending services. The bank has said it will reconsider the strategy if it does not work.

Mr Keith Whitson, Midland's chief executive, said job losses were part of a move to reinforce its "community banking" strategy. "Midland is returning to the traditional values of strong local management," he said.

The bank is moving senior managers who oversee branches in 198 area offices into branches. These managers will take on a dual role of managing their own branch, and also overseeing a group of smaller branches in the vicinity.

Mr Whitson said that "margins, fee income and revenue in general" were under pressure and Midland was responding by giving branch managers "increased levels of authority and shorter lines of communication" to executives.

HSBC's target is for costs in its subsidiaries to absorb 60 per cent or less of revenues. Last year, Midland's costs rose to 70 per cent of its revenues, and executives said it would try to find ways to reduce the ratio.

Mr Whitson said Midland decided to cut costs itself without interference from HSBC. "Pressure on costs is there in our own right," he said. "We have to take these hard decisions, and our parent company would expect us to take them."

Mr John Brawley, union assistant secretary, said the bank's attempt to enhance service by cutting jobs was "rather like drinking to cure alcoholism". The union would try to enforce an agreement limiting compulsory redundancies.

Midland's pre-tax profits rose £61m to £905m in 1994, although income fell. Mr Brawley said it appeared that "record profits equate to record cuts" and estimated that 35,000 jobs were at risk in the UK banking industry this year.

Semiconductor sales rise by 33%

By Paul Taylor

Sales of semiconductors in the UK and the Irish Republic grew by 33.7 per cent last year to £3.28bn ($5.18bn), fuelled in part by the expansion of cellular telephone manufacturing and personal computer production.

The figures, compiled by the Semiconductor Manufacturers Association, confirm that the semiconductor market boom which began in mid 1992 continued through 1994 at only a slightly lower rate than the previous year.

Overall the world market for semiconductors – the discrete components and integrated circuits used in electronic devices – grew by 29 per cent last year while the European market expanded by 35 per cent.

The corresponding growth in the UK and Ireland reflects the strength of the region in electronic equipment manufacture, according to the association, which represents 27 of the world's leading semiconductor manufacturers. Association figures show that sales to the communications industry grew fastest last year, increasing by of 53 per cent.

"The UK has rapidly become a major manufacturing centre for cellular phones, mostly for export to other countries," the Association said. "The huge increase in domestic demand, coupled with the move from analogue towards digital, can only boost this further."

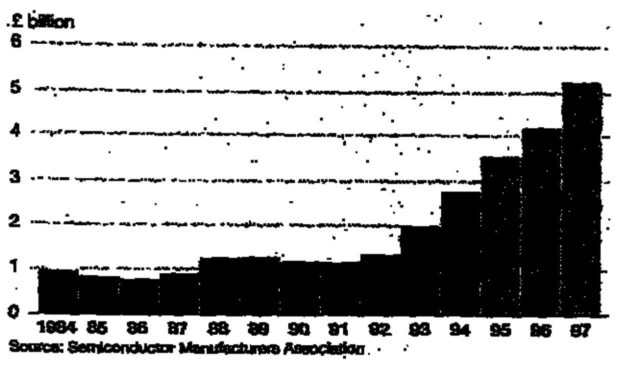
But despite this, the computer industry still accounted for the largest growth in absolute value terms with growth of £500m or 36 per cent last year.

In terms of semiconductor types, memory was re-established as the largest product category with growth of 65 per cent despite continuing supply shortages. The market for microprocessors – the electronic brains of computers – grew only 18 per cent following a spectacular 149 per cent jump in 1993.

The association forecast that the trends established in 1994 are set to continue. Television and video recorder production are expected to rise, reflecting increased investment by Japanese and Korean manufacturers in the UK and growing investment in PC production in the UK and Republic of Ireland.

The boom conditions of the past 18 months are expected to abate slightly, the association said. But "even the most pessimistic forecast for the next few years still shows double digit percentage growth." But it warns that the semiconductor industry as a whole is not investing enough in production facilities to keep up with demand.

UK semiconductor market



Source: Semiconductor Manufacturers Association

Chancellor raps media over Bank resignation

By John Kampfner, Westminster Correspondent

Mr Kenneth Clarke, the UK chancellor, said yesterday he had sought to dissuade Mr Rupert Pennant-Rea from resigning as deputy governor of the Bank of England, and denounced the media for "hounding" Mr Pennant-Rea from his job.

Mr Pennant-Rea announced his resignation on Tuesday, two days after details of an extramarital affair with a journalist, Miss Mary Ellen Synon, were disclosed in a national newspaper.

"I personally did not see any reason for him to leave public life. It's absurd to lose a deputy governor of the Bank of England because some newspapers wish to print stories about his private life," Mr Clarke said.

"Those who are responsible for hounding him out of office must ask themselves what public good they have done."

Mr Clarke's forthright defence of Mr Pennant-Rea seemed at odds with the prime minister's office. A Downing Street spokesman appeared surprised by the chancellor's remarks and conspicuously declined to endorse them.

The spokesman said only: "All resignations are, of course, a matter of regret." Mr Clarke, speaking at a press conference at Conservative Central Office, said each case depended on the circumstances. He said he was "extremely sorry" to lose Mr Pennant-Rea as he had been doing an "extremely good job".

"He was making very good progress with the financial sector of the Bank which needs to be continued. He played a particularly key role in the Barings crisis."

Mr Clarke said that, when he talked to Mr Pennant-Rea on Tuesday, "I made it quite clear to him that as far as I was concerned he could stay".

He added: "Any successor is now going to ask himself or herself, whether they take a job like this if there is anything in their private life which might sell newspapers."

Conservative backbenchers are expressing increasing concern over the pressure being applied to politicians and other public figures to quit at the first sign of scandal.

Mr Tim Yeo, who was forced to resign as environment minister in January 1994 following press disclosures about his private life, said talented individuals were being deterred from top office.

"If you want to have a banking system you need people of financial integrity, a high level of competence and good judgment and really," Mr Yeo said. "If they have colourful private lives, that is not the main criterion."

Government beats attack on EU border controls

By Kevin Brown, Political Correspondent

The British government yesterday beat off a fresh attack on its approach to the European Union from rightwing MPs seeking a full-scale debate in parliament on proposals for common frontier controls.

In an important procedural victory, Mr Michael Howard, home secretary, persuaded all seven Conservative MPs on an obscure committee on European legislation to vote against a Labour resolution seeking a full-scale debate in the House of Commons. But many Conservative MPs made clear their deep hostility to the EU proposals.

The decision deprives Eurosceptic MPs of a high profile opportunity to expose the depth of Tory divisions on border controls, which last month prompted the resignation of Mr Charles Wardle, a junior home office minister.

Two members of the committee were under pressure from rightwing Conservatives to back the resolution, which called on ministers to organise a debate in which all MPs could vote. But both voted with the government after Mr Howard pledged that the final draft of an EU convention on external frontiers being negotiated by the member states would be debated by the Commons before ratification.

Mr Howard also repeated Mr John Major's promise that the government would take "whatever steps are necessary" to ensure that frontier checks remained under UK control.

He was challenged by Mr Terry Dicks, a rightwing Conservative MP, on whether this meant that the government would reject any order by the European Court of Justice to abandon border controls. Mr Howard told the committee: "I do not believe that it is possible for either the prime minister or I to give a stronger guarantee than the guarantee that has been given. It has been given without qualification or equivocation."

About 30 rightwing MPs, including most of the 9 rebels excluded from the Conservative whip, exercised their right to attend the 13-strong committee, at which they were allowed to speak but not vote.

In 2½ hours of debate, many Tories condemned as an unacceptable loss of UK sovereignty EU plans for common frontier controls and mutual recognition of visas for third country nationals.

"If our country acquiesces to the granting of visas in a common format to those who wish to come here, we are acquiring a status similar to the states of the US," said Mr John Wilkinson, one of the whipless rebels.

Sir Teddy Taylor, a leading rebel MP, said the UK was "sliding step by step towards towards the undermining of frontiers. It is tragic for our democracy that MPs have voted that the House of Commons should not even consider this."

Unions snub Labour on pay

By Robert Taylor, Employment Editor

Britain's main workers' organisation the Trades Union Congress was yesterday set on a collision course with the opposition Labour party when it insisted it would set a target for a legally enforceable minimum wage before the next general election.

Labour party leader Mr Tony Blair has said that while his party is committed to the principle of a minimum wage, he does not want a figure agreed until it is in power. Last Sunday he said he did "not believe you can set a minimum wage in the abstract from the economic circumstances".

Mr John Monks, TUC general secretary, denied yesterday that the TUC's decision to go for a minimum hourly rate of pay would embarrass or hurt the Labour leadership's position over the issue. "We are here to do our job and Labour has its job to do."

A Labour spokesman said last night: "The TUC and the Labour party have two different processes working on the national minimum wage and it may produce two different outcomes." Ms Harriet Harman, shadow employment secretary, was said to be "quite relaxed" about yesterday's TUC decision.

The TUC will hold a special conference on July 6 to discuss its campaign for a national minimum wage. Further policy developments can be expected at the TUC's September Congress.

In 1991 the TUC backed a statutory minimum wage to be set initially at "around half the middle of the overall earnings range". Mr Monks said the TUC wanted a more precise figure this time.

The document agreed by the TUC's executive committee yesterday says: "At some stage the TUC will have to set a target figure in campaigning and which it would want to press in any social partner discussions".

Mr Monks said the TUC might not come up with an agreed figure by the end of this year, but it would do so before Britain next goes to the polls.

UK NEWS DIGEST

Contest with Singapore on Leeson 'unlikely'

THE BARINGS COLLAPSE

Mr Nick Leeson, the former Barings Bank futures trader, is likely to face trial in Singapore rather than the UK over his role in the collapse of the merchant bank. UK authorities are "highly unlikely" to seek to extradite Mr Leeson from Germany while Singapore is still thought to have a clear case against him, it emerged yesterday. The initial view of the UK authorities is that, since the events that led to the collapse of Barings occurred in Singapore, it is for the authorities there to bring any criminal charges against Mr Leeson.

A senior UK source said: "This is essentially a Singapore matter which overflowed into the UK. It is hard to see circumstances where the UK would compete with Singapore, another Commonwealth country, for his extradition." The development will be a severe blow for Mr Leeson, who is fighting Singapore's extradition request. The Singapore Commercial Affairs Department has brought a charge of forgery against him which could carry a prison sentence of up to seven years. It is alleged he forged two documents to cover losses of Y7.8bn (£50m) sustained on his derivatives trading.

John Mason, Law Courts Correspondent

Rover emerges as top British vehicle maker

Rover Group, the UK subsidiary of BMW of Germany, emerged last year as the leading UK vehicle maker ahead of Ford of the US, which includes Jaguar and Aston Martin. Rover increased its vehicle production by 14.1 per cent to 486,828, including cars and commercial vehicles, from 426,744 in 1993 according to figures released by the UK's Society of Motor Manufacturers and Traders.

The Ford group, which was overtaken by Rover for the first time in more than a decade, increased its output by 5.2 per cent to 450,661 from 428,522 in 1993. Rover production rose strongly last year in response to rising sales in export markets and a significant increase in demand for its range of Land Rover fourwheel drive sports/utility vehicles. Overall Land Rover production rose by 38.5 per cent to 93,998 according to the SMMT.

Kevin Done, Motor Industry Correspondent

Maxwell administrators in move on settlement

The administrators to Maxwell Communication Corporation announced yesterday that they had won the approval of the UK and US courts for the settlement agreed with the Maxwell pension fund trustees. But the settlement remains conditional on other contributors reaching agreement with trustees. A failure to reach complete agreement quickly could jeopardise an early payment to pensioners.

Last month 30,000 pensioners won a £276m settlement from the remnants of Robert Maxwell's failed media empire, banks and accountants. Trustees of the pension funds accepted the offer in compensation which, with other monies, will fill the £400m hole in the funds' finances and safeguard the pensions of 30,000 former Maxwell employees. MCC is expected to contribute about £40m to the £276m settlement. The administrators, Price Waterhouse, estimate that all creditors should receive between 35 and 43 per cent of claims.

Jim Kelly, Accountancy Correspondent

Airport clears planning hurdle: Bristol airport in south-west England has won planning permission for a £14m ($22.12m) terminal intended to double capacity to 2m passengers a year. The environment and transport secretaries, after a public inquiry, have made the consent subject to night-flying restrictions and other conditions. A decision on the development may be delayed until the result of a separate inquiry into proposals by British Aerospace for a commercial airport at its Filton airfield near Bristol.

Big cannabis haul: Twelve people were questioned by Customs officials after the seizure of at least 3 tonnes of cannabis resin aboard two ships caught off south-west England. Customs officers said the drugs were probably destined for cities in northern England. Customs officers tracked a rig supply vessel from southern England to Portugal, from where it is believed to have sailed to Morocco to pick up the cannabis.

West case worker sacked: A social worker who offered to sell information about the children of alleged mass murderer Mrs Rosemary West has been sacked. Mrs West is the widow of Fred West, who hanged himself in a prison cell on New Year's Day. Mr Errol Brown had asked for £10,000 ($15,800) from a local newspaper for information about five of the Wests' surviving children.

Culture clash may sink US-style clubs

By David Blackwell

The early exit of Nurdin & Peacock, the cash and carry operator, from the US-style warehouse clubs which it helped to pioneer poses the question of whether such outlets are viable in the UK.

The aim of the clubs is simple: to sell a selection of goods in bulk at 25 per cent or more below high street prices to fee-paying members. But some analysts believe that the cultural differences between the US and the UK militate against mass use of discount clubs.

"We have smaller houses, smaller cars and smaller appetites," said one. "People were willing to join to get big discounts on items like fridges and televisions when they set up house, but they did not go back regularly for food." The argument is borne out by one of Nurdin & Peacock's reasons for quitting its Cargo Club business after just one year – disappointing turnover. Mr Alex Rentoul, commercial director, said on Tuesday that membership was ahead of expectations and described the average spend per basket as "adequate". But the frequency of visits was disappointing.

The group, which had attracted 120,000 members at a basic fee of £25 ($39.50) has sold the sites to J. Sainsbury, Britain's largest grocery chain.

Sainsbury has a history of objecting to warehouse clubs, having joined Tesco and Safeway in an attempt to block planning permission for the UK's first club, opened by Costco in 1993. The three argued that the project should have been assessed as a retail rather than a wholesale operation, and should therefore have been subjected to tougher planning controls.

Only 18 months ago Nurdin & Peacock accused Sainsbury of petulant attempts to stifle one of its projects through planning objections.

Ironically, tougher planning laws were cited by Nurdin & Peacock as another reason for closing its clubs.

Amid the fanfare of publicity that accompanied the opening of its first club in London a year ago, the group spoke of having 30 warehouses by the end of the century; however, the government's campaign to curb the explosion of out-of-town developments meant that future development growth of Cargo Clubs "would place an undue burden on the group's financial resources". But Costco Europe is continuing its expansion plans, opening branches this year in Glasgow and Liverpool, seeking planning permission for a site in Manchester, and actively looking for sites throughout the UK.

Costco, 60 per cent owned by PriceCostco, the largest US warehouse group, says it is targeted at small businesses – the customer base of the cash-and-carry trade.

Mr Paul Moulton, managing director of Costco, said the group preferred to be known as a membership warehouse club, rather than a discount club.

It differed from cash-and-carry outlets, which are normally dominated by food, because two-thirds of its sales were devoted to non-food items including office equipment, personal computers and even tyres. More than two-thirds of the trade is with small businesses, with further membership restricted. But the group gives no trading figures and will not reveal how many members it has at its existing clubs.

Tougher planning laws also had a part to play in the rapid closure, making Cargo Club sites tempting to Sainsbury, which has knocked out what it considered a rival retailer. It is paying £45m cash for the "outstanding locations" in London, Bristol and the west Midlands. The London site will be sold.

Analysts are not critical of Nurdin & Peacock's foray into warehouse clubs, which the group has managed to quit with surprisingly little pain. The deal is likely to leave it with a net profit before tax of about £8.5m after closure costs.

TECHNOLOGY

Boiling up a winner

They may be short on tearful acceptance speeches or excruciating acknowledgements from "luvvies" to the back room boys and the rest of the cast, but the UK's engineering "Oscars" are just as competitive as the Hollywood version.

Last week, Isle of Man-based Strix was awarded the £10,000 first prize in the biennial Manufacturing Excellence Awards, organised by the Institution of Mechanical Engineers and the Institution of Electrical Engineers.

Strix is the world's largest supplier of water boiling controls for the domestic appliance industry. It beat stiff competition from three other finalists, GEC Alsthom Turbine Generators, M4 Data and Pilkington Optronics.

Vincent Garvey, technology manager at Strix, says the award is a "fine accolade" for the company, recognising its achievement in using business process re-engineering to gain competitive advantage.

The winning project involved a complete overhaul of the manufacturing process for "blades", discs used as thermostats in kettles. They are made of two metals with different co-efficients of thermal expansion, causing them to snap into a different shape at a certain temperature.

The manufacturing process was traditionally regarded as a "black art," says Strix. Day-to-day performance was inconsistent, and highly dependent on skill and intuition.

The core of the process, heat treatment, was convoluted and empirical. Strix realised it needed to cut out time-consuming, hard to control methods. It also eliminated about 25 significant causes of variability throughout the production process.

The result was a big increase in "right first time" blades, with significant improvement in output yield, process lead time and throughput efficiency. This has allowed Strix to redeploy surplus direct labour into other areas of the growing business.

Andrew Baxter

Alan Cane learns how network operators are fighting the UK's thousands of mobile phone thefts

Thieves on the line

The theft of mobile phones in Britain is reaching epidemic proportions. According to the Federation of Communication Services, a trade association for the UK telecoms industry, the total stolen is between 12,000 and 15,000 a month.

Most of the stolen phones are based on the older, analogue technology which Vodafone and Cellnet, the UK's principal mobile phone operators, have established across the country.

Something like a tenth of the total is made up of the newer PCN and GSM digital phones – reflecting both the fact that digital telephony is in its infancy in the UK and that digital networks are inherently more resistant to phone thieves' tricks than the analogue variety.

The network operators themselves, conscious of the rate at which the mobile phone business is growing, pitch the total number of thefts higher – at about 20,000 a month.

They are aware that their analogue systems are vulnerable and are responding by building "intelligence" into their analogue networks to accelerate the process of recognising a stolen phone and excluding it from the network.

Mobile phone crime has two dimensions. The theft of the hardware is followed by the theft of airtime when the hardware is used to run up phone bills, often at the expense of an unsuspecting subscriber.

The subscriber will not realise his phone has been cloned or rechipped until the bill arrives

It is as easy to steal a digital phone as an analogue model – mugging the owner or hurling a brick through a car window are among the more unpleasant methods – but analogue phones lend themselves to more imaginative skulduggery after the event.

All a thief can do with a digital phone is sell it or use it until the owner discovers the theft and informs his or her service operator. At that point the phone will be excluded from the network and becomes valueless.

A favourite ploy is to offer stolen phones to people living away from family and friends to make, for a fee, international calls at the genuine subscriber's expense.

Analogue phones, however, can be "rechipped" – or have their electronic identity changed. "Clones" – exact replicas – of authentic phones can be created. Calls made on the stolen, rechipped phones are then charged to the legitimate subscriber's account. The subscriber will not realise anything is wrong until the bill arrives.

Rechipping is not illegal in the UK, an example of the failure of social mechanisms to keep pace with new technology.

For Vodafone and Cellnet, the problem has been that while the future belongs to digital technology, their analogue networks are going to be in place for years to come. Their aim, therefore, is to find ways of conferring some of the defensive qualities of digital networks on their analogue systems.

That is not a simple task. Networks depend on the integrity of the switching systems, essentially large computers controlled by millions of lines of software. Changing the software is not easy; altering one part of the system can have unexpected consequences for another.

There is a saying in the industry that any major change to switch software takes two years and costs £1m. So Cellnet and Vodafone have been looking at ways to build intellignce into their systems without disturbing the switches.

Essentially, they have both taken the same path. All the security software is programmed into minicomputers – Digital Equipment Vax machines in the case of Vodafone, Tandem Nonstop computers for Cellnet – which are then linked by telecommunications lines to the switches. All the security processing takes place in the minicomputers.

Vodafone's Bandit Alert software has been in place since the network opened and is aimed at cloned phones. It looks for illogicalities in the way a phone is used; for example, if a phone is used in Glasgow, Scotland, at 10pm, and in London, England, at 10.10pm, one of the calls must come from a clone. The network closes down both phones and contacts the subscriber.

Credit Alert looks for abnormal patterns of usage. If a subscriber who normally spends, say, £50 a month on calls starts spending £50 a day, an alert is triggered with the subscriber's service provider – the organisation that sends out the bills and collects the fees – which makes contact to see if the phone has been stolen. Credit Alert has been in place since 1989.

A third technique, International Call Divert, in place since 1991, aims to trap thieves renting stolen phones to people making international calls. Calls made to certain countries – Vodafone is not saying which – are not put straight through but referred to an operator who checks that the caller is genuine.

Cellnet has just completed what technical director Mike Tiplady believes is the largest intelligent network so far developed.

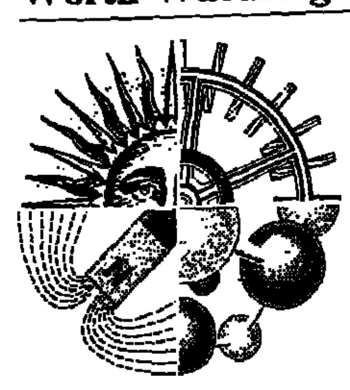
It offers three defences against bandits: first, it recognises if two phones with the same electronic identity are on the air together, and can close one of them down; second, it can detect patterns of usage – in particular, it will raise a warning if usage of a particular phone rises steeply; and third, it assumes something is wrong if it gets closely spaced calls on the same phone from different parts of the country.

According to Gary Bernstein, head of corporate security at Cellnet, the ability to detect any evidence of cloning is proving particular effective against the thieves.

The Cellnet system works in real time; if a phone is turned on and its clone is used to make a call, the fact is immediately recognised and the call cut off – "torn down" is Bernstein's expression. Of course, a legitimate call could be torn down, but Bernstein says that subscribers have proved to be understanding.

There are limits, however, to what can be accomplished: Bernstein warns that nobody is analysing usage patterns in real time – "that would be incredibly expensive".

Worth Watching · Vanessa Houlder



Have card, will travel

The Australian transport industry has launched a contactless smart card that covers trains, buses and taxis. The card can also be used for small purchases such as newspapers and fast food.

The card, which is under trial in Sydney, will be rolled out nationally in July.

The credit card-sized plastic device contains a microchip and an antenna which communicates via radio signals to a card reader. Consumers can charge up the card using cash, debit or credit cards at selected outlets such as newsagents.

The card is the result of collaboration between Card Technologies Australia, which designs electronic transaction systems and Transcard (Australia), a consortium of transport operators and other companies.

Transcard (Australia); Australia, tel 2331 1355; fax 2331 6682

Sugar sensor for diabetes

Many biologically active molecules come in two forms: a "right-handed" version and a "left-handed" version which behave in different ways. For instance, only the right-handed form of glucose can be digested by the body. Scientists at the Research Development Corporation of Japan have developed a fluorescent sensor that can discriminate between the two forms of sugar, according to a report in today's Nature magazine.

The sensor is based on a fluorescent receptor molecule that binds selectively to sugar molecules. The intensity of its fluoresence depends on whether the left- or right-handed form of the molecule is bound. This finding could have implications for the control of diabetes, which involves monitoring the right-handed form of glucose.

Research Development Corporation of Japan: Japan, tel 942 37 6121; fax 942 37 6125

City of London on a CD-Rom

Crawford's Directory of City Connections, a reference book covering the UK financial services industry, has been published in a CD-Rom and disc format. The electronic directory, which covers 3,400 quoted and private companies and 3,300 advisers, includes hypertext links to simplify cross-referencing.

Crawford's: UK, tel (0)1732 362666; fax (0)1732 368324

Lungs' defensive protein

Researchers in Oxford have found that a protein present in the lungs protects the body against infectious diseases and potentially toxic particles in the air.

Work by the Medical Research Council Immunochemistry Unit, for the British Lung Foundation, has found that the SP-A protein binds to pollen particles, allowing host cells to destroy them. This finding has implications for the understanding of asthma and the development of new treatments.

It also found that SP-A is able to bind to a strain of the influenza virus, preventing it from entering the host cell and even allowing it to be destroyed. The researchers now wish to investigate whether lower levels of SP-A can make people more prone to infection.

British Lung Foundation: UK, tel (0)71 371 7704; fax (0)71 371 7705

Miniature Raid on PCs

Raid systems – redundant array of inexpensive disks – have proved to be a reliable way to store data for mainframe and mid-sized computers. However, they are generally considered too large and expensive for PCs.

TEAC, a Japanese manufacturer of data storage products, has launched a miniaturised Raid system that will fit inside an ordinary PC or file server. It believes the cost of £3,550 is low enough to appeal to small and medium-sized businesses.

TEAC UK, UK, tel (0)1923 225235; fax (0)1923 236290

ARTS

A 'Lear' for the cocktail and popcorn classes: Helen Mirren, Nigel Hawthorne and Amanda Donohoe in 'The Madness of King George'

Cinema/Nigel Andrews

Going gaga over George

THE MADNESS OF KING GEORGE
Nicholas Hytner

NOBODY'S FOOL
Robert Benton

DROP ZONE
John Badham

MY CRAZY LIFE
Allison Anders

At film festivals, there is a wonderful recurring experience. Whenever the screen image loses sharpness a thousand people bray in unison "Focus!" Sometimes they bray it in the local language: at Cannes it is "*Point!*"

I kept mentally shouting both words during *The Madness Of King George*: dismayed not by visual but by dramatic fuzziness. This film of Alan Bennett's stage play has been hailed as the best British film of the year, dismissing all prospective candidates for the rest of '95. Yet if stage producer Nicholas Hytner's debut film is so masterly, why does it seem so *diffuse*? And what – I tremble to be simplistic, but there it is – is the point of it?

We all know the story because we have seen the play or read the advance publicity. King Nigel Hawthorne goes mad; Prince Regent Rupert Everett (already mad to judge by his marmalade-coloured fright wig) schemes to keep him so; Queen Helen Mirren is distracted from her German accent studies; and England is a series of table-mat views of castles, staterooms and rolling landscapes.

To be "*cinematic*" Hytner has had one great idea. He renders the king's increasingly opaque mind by pouring fog into the settings. There it swirls, suggesting that Windsor Castle is built over a vast, unsuspected marsh. It gives a grey scumble to the images, Fuseli-style, and might be an interesting device if it were not so telegraphic.

King Nigel is very touching, very hilarious and very magnificent; and he gives signals just before each stage indicating which one it will be. When he and a pair of courtiers sit in a garden late in the film playreading *King Lear* I thought: finally Bennett and Hytner have come clean. *The Madness Of King George* is nothing but *King Lear* post-modernised for New Elizabethans. The tears and horror of this tale of kingly undoing were better done by Shakespeare. The comical parallels with our own mad monarchy and its extended (on-the-rack-of-scandal) family have been better done by *Spitting Image*.

So why has everyone gone gaga for this film? Because it offers us the chance, once more in these dear isles, to have our royal cake and eat it. We have a tasty and exportable vision of Georgian England – how the Americans will love the olde palaces and frou-frou'd costumes. Simultaneously, by devouring it satirically, we show how unfooled we are by royal finery. Kings fart! (We see them at it.) Kings urinate! (We all but peer into the pot.) And Americans, again, will adore those references to our incontinent loss of our largest colony.

This is the same game that *Gandhi* played. Expose the moral or spiritual decrepitude of a chapter of English history, while wallowing in its best-selling pageantry. Like *Gandhi*, *King George* sketches its historical characters as a series of high-concept turns. Each has a bell, a whistle and a *raison d'être*: from Julian Wadham's William Pitt and Jim Carter's Charles Fox, respectively Mr Squeaky-Clean and Mr Radical-Scruffy of the Commons, to Everett's rouged and drawling Prinny.

Unlike *Gandhi*, *King George* does have a sense of humour, for which much thanks. But the humour, finally, is as facile and reductive as the pathos. I kept looking at Oscar-nominated Nigel Hawthorne, so dazzling even amid the mechanised mood changes forced on him, and thought, "Why instead of playing this pushbutton, *pagliaccio* Lear does he not play the real thing?" He could; he should.

It is probably because the western film industry could not scrape the money to make a film by Shakespeare, the greatest writer on the humanity that wears a crown. But Bennett's adroitly trivial monarch-drama should go down nicely among both the cocktail and the popcorn classes.

★

More Oscar-nominated anti-climax in Robert Benton's *Nobody's Fool*, a tale of family bonding in snowy New England. As a movie, it is a fine Norman Rockwell painting. Do not be fooled by the beat-up look of the small town; nor the beat-up look of Paul Newman, a semi-retired building worker cussing over divorced wives, estranged sons and late-paying employers (Bruce Willis).

The thing about Rockwell's work, those folksy-pietistic tableaux of "ordinary" life, is that you can beat them up all you like. They still remain hygienic and tiny-minded: cigarette cards of the American Dream.

Benton is an intelligent film-maker with a weakness for the winsome. He co-wrote *Bonnie And Clyde*, but he also directed Kleenex operas like *Kramer Vs Kramer* and *Places Of The Heart*. *Nobody's Fool* presents the time-honoured conflict between a sentimentalised small-town America of holistic folk values – the bar, the neighbourliness, the lovable eccentrics – and a new America of greed, divorce and shopping malls. Here the town nasties are even planning a local theme park: horror! This is as evil as the country club in Robert Redford's *The Milagro Beanfield War*.

Benton, adapting a novel by Richard Russo, sees the problem as inter-generational. So Newman's life as a glorified hobo – an honorary member of the Mark Twain Retirement Home for good ol' hellraisers – is invidiously juxtaposed with the repressed younger folk. His college professor son is deeply inhibited until he joins Dad in some wacky petty-theft escapades. (They keep stealing miser Willis's snow-clearing machine, in one instance drugging the watchdog.) And the son's son is full of fear complexes until the scene when he proves himself a man by carrying, at Newman's urge, the local doctor's wooden leg across a bar room floor.

Meanwhile our sexagenarian hero proves he is a sexier dog than any of his juniors by ogling Melanie Griffith's breasts – she plays Willis's wife – and by flirting with dear Jessica Tandy, his landlady.

At times we fear we might die by contrived wistfulness in this senior citizens' soap opera. But Benton keeps waking us up and walking us around the room. He forces us to listen to what Wordsworth called the still, sad music of humanity, or what James Thurber once called the patter of tiny minds.

As for Oscar contender Paul Newman, he does as much and as little as usual. The smoke-topped face still fizzes with irony, ruefulness, lean good humour. But when he tries to show an emotion outside that laconic range – grief, say, or surprise, or hilarity – it is as false as that much-maligned theme park.

★

It is a difficult week. In *Drop Zone* everyone falls out of the sky. In the talkative, somnolent *My Crazy Life (Mi Vida Loca)* everyone seems unable to get up from the sofas.

The first is an action thriller about a gang of drug-stealing sky-divers. They are combatted by US Marshal Wesley Snipes, who lost a brother in a mid-air shootout and who now learns to free-fall in order to the catch the baddies. A ludicrous idea is directed without life or feeling – even for its ludicrousness – by John Badham.

My Crazy Life is directed by Allison Anders, of *Gas Food Lodging*. In Echo Park, Los Angeles, a gang of Hispanic girlfriends talk, love, philosophise and occasionally shoot someone. The film has been called *Girlz N The Hood*. But that flatters its torpid pace; and its sense that an ethnic community has been viewed by a gauche outsider preparing her thesis on applied race relations.

Theatre

Voodoo City

It has to be said that *Voodoo City* is not everyone's idea of a good night out. You step into BAC in Battersea, leaving the harsh cold world of the metropolis, the noise of traffic and all the bleak detritus of the big city behind, to be faced with 80 minutes of urban alienation on stage.

On a grim, grey arena surrounded by scaffolding, apparently the top of a high rise building, the four young members of the performance group Stan's Cafe offer an aesthetic response to inner city decay and engage in some sort of crazed urban voodoo. Both city and inhabitants are possessed. One performer chances a poem, others engage in bizarre rituals with household objects and they all occasionally break into desperate frenzy to the background of very loud noise. I am not sure what spirits they are raising, but they have thrown new light on the well-worn parental phrase: "turn that noise down, you'll waken the dead."

In fact, the show is a little more enjoyable than it sounds because, although it gives dislocated expression to youthful alienation, it is also shot through with irony and absurd humour. There are some painful occasions when the performers just bludgeon their audience in the name of art. In one sequence they engage in a protracted bout of wild, possessed dancing amid the roar of traffic, which has all the appeal for the spectators of standing in the middle of the Hammersmith flyover; in another they use ear-piercing feedback which has little effect except to threaten you with migraine. Passages like this communicate frustration effectively, but they are also enough to send you racing from the theatre.

But there are also a few beautiful or funny sequences. At one point a girl is possessed by a pair of wandering hands with embarrassing results. Elsewhere, two performers conjure a spell using household objects: a length of old carpet, a cheese-grater, a soda syphon, a draining board and an iron among them.

There is a rather touching air of *Blue Peter* about all this DIY sorcery, present again in the final sequence, in which the four performers build a fascinating miniature cityscape out of bottles, cereal boxes and underground tickets. The curious innocence of this activity is affecting and it expresses eloquently the confusion of a generation brought up with high rises and urban wasteland.

The show is a vivid theatrical response to the emptiest aspects of contemporary city life. The trouble with it is that you live through it and then you leave. What does it really reveal? What do you learn? In the end, while it depicts inner city fury effectively, you learn more about the subject simply making your way home across London.

Sarah Hemming

Continues to April 2 at BAC, London SW11 (0171 -223-2223). Then on tour.

The Devil's Pleasure House

Andrew Clark reviews Schubert's 'magic opera' in Zurich

The on-going debate about Schubert's merit as an opera composer is unlikely to be swung by the new Zurich production of *Des Teufels Lustschloss* (The Devil's Pleasure House). Written when Schubert was 16, this "natural magic opera" is very much a student work. It went unperformed in his lifetime and had to wait until 1978, in Potsdam, for a staging – and even then it was heavily cut. Zurich has given it complete for the first time.

The opera is worth hearing. It has an innocent charm, or in Nikolaus Harnoncourt's words, a "genial simplicity" – even if there is little foretaste of the genius that was to flower in chamber music and song. Schubert began work on the opera immediately after his First Symphony, using a libretto by the popular contemporary poet August von Kotzebue.

The plot is a sort of watered-down *Zauberflöte*. After stopping at a wayside inn for the night, the nobleman Oswald, his wife Luitgarde and servant Robert are lured to a reputedly haunted castle, where they undergo a series of absurd ordeals. The perpetrator of these ordeals turns out to be Luitgarde's estranged uncle, who wants to test Oswald's worthiness of his niece before making them his heirs.

Behind the surface of this jolly *Singspiel* lie some deeper shafts. Instead of the cosmic forces at work in Mozart's opera, we have an all-too-human sadist orchestrating events. And the ordeals – including the attempted seduction of Oswald by a mysterious beauty (alias the landlady at the inn) – have a nightmarish quality which suggests it may all be Luitgarde's dream. Freud and Jung would have loved this opera.

Schubert wrote two versions, the second of which shows the influence of his teacher Salieri and of *Fidelio*. Zurich used parts of both, as the revised Act 2 has not survived. The melodies are rarely inspired, but the Act 2 climax is powerfully dramatic and there are some memorable moments elsewhere – notably a duet of stoic nobility for Luitgarde and Robert, a beautifully turned flower-maiden chorus (shades of Kundry) and a Beethovenian reunion duet in Act 3. Schubert's instrumental parts are far better characterised than his writing for the human voice.

At least that was how it seemed in Zurich. The orchestral performance bore all Harnoncourt's stylistic trademarks – rationed vibrato, rasping horns, thunder-clapping timpani and staccato accents. The music sounded spontaneous and alive. Zurich is lucky to have a musician of this calibre working for lengthy periods each season on its classical and early Romantic repertory: you may not always agree with Harnoncourt's decisions, but you cannot fault the freshness and conviction of his impulses.

Marco Arturo Marelli's production was distinguished by its practical stagecraft, well-tuned ideas and visual eloquence. The decor amounted to little more than a few painted flats, augmented by subtle lighting and mounds of dry ice. The costumes, by Dagmar Niefind-Marelli, preserved the period setting.

Reinaldo Macias' Oswald and Eva Mei's Luitgarde were disappointing. Macias is a junior version of Francisco Araiza, with the same lyric potential, but he did not project well. Mei's prim soprano made little impression.

The real vocal goods came from Adrianne Pieczonka, an innkeeper/seductress of great presence, and Robert Holl's Leporello-like Robert.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Schoenberg Trilogy: new productions of "Die Glückliche Hand", "Von Heute auf Morgen" and "Erwartung" and the first time these three one-act operas are playing in one performance. With David Wilson –Johnson, Isoldé Eichlepp and conductor Winfried Maczewski; 8pm; Mar 25, 28

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Mar 25, 29 (8pm)
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 24
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 23, 26
Staatsoper unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Mar 26 (6pm), 29

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra with tenor Ben Heppner and baritone Thomas Hampson to play Mahler and Rott; 7.30pm; Mar 26
● Mahler Festival: Michael Tilson Thomas conducts the London Symphony Orchestra to play Schumann and Boulez; 7.30pm; Mar 29
● Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Beethoven and Strauss; 7.30pm; Mar 28
Royal Festival Hall Tel: (0171) 928 8800
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Britten, Schoenberg and Shostakovich; 7.30pm; Mar 23
● Grand Classical Gala: National Symphony Orchestra conducted by David Coleman plays a variety of operatic pieces; 7.30pm; Mar 26
● Royal Choral Society: with the English Chamber Orchestra and soloists Susan Gritton and Michael George. Richard Cooke conducts Saint-Saëns and Brahms; 7.30pm; Mar 28
● Royal Philharmonic Orchestra: Vladimir Ashkenazy conducts Beethoven and Shostakovich; 7.30pm; Mar 25
Wigmore Hall Tel: (0171) 935 2141
● Song Recital Series: with baritone Thomas Hampson and pianist Wolfram Rieger in a programme of Grieg, Mahler and Butterworth; 7.30pm; Mar 24
GALLERIES
Serpentine Tel: (0171) 402 0343
● Take Me (I'm Yours): a unique opportunity to touch, use, test, buy or take away the objects in this exhibition; from Mar 24 to May 1
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 23, 25, 29
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 24, 28
Royal Opera House Tel: (0171) 304 4000
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 25 (7pm)
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 29
● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Mar 27
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 23

NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: Sir Colin Davis conducts an all–Sibelius programme; 8pm; Mar 23, 24, 25
● New York Philharmonic: with soprano Sylvia McNair, baritone Hakan Hagegard and the Westminster Symphonic Choir. Kurt Masur conducts an evening of choral music by Brahms; 8pm; Mar 29
Carnegie Hall Tel: (212) 247 7800
● Orchestra of St. Luke's: with soloist Alicia de Larrocha. André Previn conducts Mozart and Haydn; 8pm; Mar 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 25
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 24
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller; 8pm; Mar 23, 27
● Tosca: by Puccini; 8pm; Mar 25, 29
New York City Opera Tel:(212) 307 4100
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/Richard Drews; 8pm; Mar 25, 28

PARIS

CONCERTS
Champs Elysées Tel:(1)49 52 50 50
● National Orchestra of France: with baritone Boris Martinovic and pianist Michel Béroff. Victor Puhl conducts Mozart, Mussorgsky and Prokofiev; 8.30pm; Mar 23
Various Venues Tel: (1) 43 85 66 00
● Banlieues Bleues: month long jazz festival. Artists include Betty Carter, Abbey Lincoln and Shirley Horn; to Apr 15
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 25, 28
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Mar 23, 29

PRAGUE

GALLERIES
Old Royal Palace Tel: (2) 3337 2272
● Antony Gormley's "The European Field": under the instruction of Gormley, thousands of clay figures made by locals and friends in the Swedish town of Ostra Grevie are placed in a field; to Apr 30

VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 1363
● Royal Concertgebouw Orchestra: Riccardo Chailly conducts Stravinsky, Prokofiev and Strauss; 7.30pm; Mar 25, 26
● Weiner Symphoniker: with pianist Rudolf Buchbinder. Nikolaus Harnoncourt conducts Beethoven's "Pianoconcert No.5" and "Symphony No.6"; 7.30pm; Mar 23

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with violinist Robert McDuffie and organist William Neil. James Paul conducts Berlioz, Bernstein and Saint-Saëns; 8.30pm; Mar 23, 24, 25
GALLERIES
National Gallery Tel: (202) 737 4215
● Claes Oldenburg: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Mar 25 (7pm), 27 (7pm)
● Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 23, 26 (2pm), 28
THEATRE
Kennedy Center Tel:(202) 467 4600
● The Art of the Samurai: a two-part programme that includes a demonstration of Samurai sword fighting and a performance of Akho-Gishi, a Japanese historical drama from the Edo period (1600-1868) directed by Takashi Ishiguro; 7pm; Mar 27, 28

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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(Central European Time)
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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Trapped between despair and reform

BOOK REVIEW

One chapter heading in Michael Field's new book sums up the whole of Arab history from 1970 to 1993 with the single word: "Despair".

The message of the book as a whole is not quite so bleak. While part one deals with Arab "failure" – culminating in the sad nemesis that has overtaken Algeria, for long the most self-satisfied and self-righteous of Arab oil-producing states – the second and longer part is devoted to "reform".

Having made his name reporting on the Gulf states in the heady days of the post-1973 oil boom (most memorably in the book *One Hundred Dollars a Day*), Michael Field deserves credit for sticking with the Arabs in their time of travail.

Since the mid-1980s, when the oil price dropped and more fickle observers like myself began to lose interest, Field tells us the Arab world has become more "sober and realistic". Those adjectives apply also to his account of it.

Falling state revenues have lowered not only economic expectations but also "peoples' faith in their governments". (This applies mainly to the oil-producing states. In the others, even though people received a share of the oil income, faith had been shattered long before, by defeat in the six-day war against Israel in 1967 and by the growing corruption and/or brutality of their governments.)

Other causes of the new Arab sobriety are, according to Field, "the collapse of the USSR which had been the backer of the nominally socialist radicals, and the realisation of both governments and peoples that they have to make peace with Israel". Most important of all was the 1990-91 Gulf crisis following the Iraqi invasion of Kuwait, which finally exploded the myth of Arab unity, pitting the Arab peoples, not just their governments, but against each other.

"It showed that the citizens of the Arabian peninsula oil producers valued their sovereignty and wanted to keep their wealth for themselves."

INSIDE THE ARAB WORLD
By Michael Field
John Murray and Harvard, £25/$27.50, 439 pages

Egyptians, too, were "not at all unhappy at the humiliation of Iraq". (Nor, he might have added, would most Iraqis have been unhappy, if only it had delivered them from the rule of Saddam Hussein.) Meanwhile "the rest of the Arab peoples backed Iraq out of a mixture of motives: a naive hope that Saddam might be able to defeat Israel, jealousy of Kuwaiti wealth and an old belief that they were more cultured and civilised and therefore more deserving than the Kuwaitis".

As a result, says Field, the oil states have become more open about the commercial and political interests they share with the capitalist, industrialised world – interests which "seemed to balance the interests of race, culture and religion that joined the Gulf to the Arab poor". At the same time, the countries of the Levant and North Africa have "turned in on themselves", dropping the old ideas of Arab nationalism and "looking to their own interests in a pragmatic way".

It is this new pragmatism which the book seeks mainly to document. Field devotes two chapters to economic reform, about which he is cautiously optimistic, and three to the demand for "legitimate government" and "democracy". He notes that Arabs talk "a great deal" about the latter, but suggests that, when they do so, "they are indicating their disapproval of incompetent government and demanding change, rather than admiring democratic government as it is organised in Europe and America". Yet he notes that in Jordan – clearly his favourite Arab country and the one that has come closest to parliamentary government in recent years – both people's expectations and the government's response "have been moving in a western direction".

That trend has to compete, of course, with the rise of political Islam. Field blames this partly on governments which "adopt a pose of false piety as a means of appeasing the Islamists", producing "a form of Islamic cant or 'political correctness'" which "has had the unhappy effect of producing a group of people who are becoming more narrow-minded in their view of the world, less interested in foreign cultures and less tolerant". But he also warns that many Moslems' hostility to the west is based "on a reasoned rejection of its materialism and lack of clearly defined moral principles".

Identifying Egypt and Algeria as the "critical battlegrounds between established governments and revolutionary Islam", he admits that both governments' short-term policy is "one of straightforward repression", while the long-term hope is that economic reforms will give people jobs, raise their standard of living, "and so lessen the despair that feeds the Islamist cause". In Algeria, alas, the short term is devouring the long.

Field concludes by reminding the west, and Europe especially, that it cannot afford to forget about the Arabs. "Even with a contribution from Russia and more efficient energy use," he says, the world will need another 15m barrels per day from the Middle East in the next 20 years to meet rising demand from developing and newly industrialised states.

But oil is not all. The EU "does far more business" with Mediterranean Arab countries than with Japan, and registers a large surplus. It cannot afford to cohabit at such close quarters with underdevelopment and high unemployment. Nor, he warns, can the west sensibly continue to undermine the stability of Saudi Arabia and the Gulf states with excessive arms sales, as it did that of Iran in the 1970s and Iraq in the 1980s – although it probably will.

Democracy might help in the long run. But first it could worsen matters, since "democratic governments will be representing a populace that may not be pro-western". From a western viewpoint, in short, "the Arab world will remain a difficult place for a long time".

Just a little less difficult, though, for the newcomer armed with this excellent handbook.

Edward Mortimer

ECONOMIC VIEWPOINT

Battle for world soft landing

By Samuel Brittan

In 1993 and 1994 world real growth accelerated, marking a clear recovery from recession. At the same time, inflation continued to slow down to reach a weighted average of just 2.2 per cent in the Group of Seven main industrial countries.

There was, however, no miracle. Falling inflation and accelerating growth are normal in the early stages of recovery. There is then still plenty of excess capacity and available labour with the necessary skills and attitudes. This same excess capacity, plus low inflationary expectations, puts downward pressure on actual inflation.

Just as clearly, this beneficent combination cannot continue. Growth is bound to decelerate as the limits of capacity are approached. Inflation stops falling for the very same reason and is quite likely to edge upwards once expectations change.

Thus, there will be nothing surprising in a growth slowdown this year and next year. The big question is whether the slowdown will be enough to prevent inflation taking off, but not so severe as to threaten a period of stagnation. In other words, can the international economy achieve the proverbial soft landing? It probably can, with a few rough edges. The risks come from the fragmentation of policy decisions among national authorities, at a time when the world economy is a single system. The real weakness of the endlessly discussed European Monetary Union is not the threat to national sovereignty but that it does not cover enough of the world.

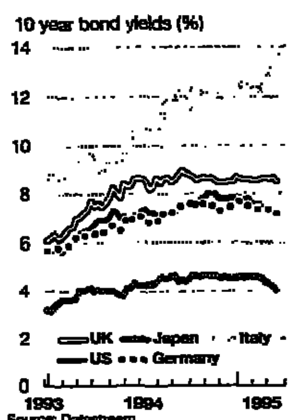
The British chancellor, Mr Kenneth Clarke, was right to be against the kind of currency intervention which is simply spitting into the wind. But he did not mention the more important part of the unfulfilled agenda left over from the 1980s: namely, the attempt to achieve a degree of international economic management, without which most currency intervention is a lossmaking diversion.

The case for concerted management is that a large part of the effects of policy changes in any one country spill over on to others. Indeed, the main transmission channel for monetary policy may now be via the international economy. For instance, the tightening of Fed policy has had some of its main effects on Mexico and Canada. The reluctance of the Bundesbank to cut its interest rates further has aggravated the problems of the peseta and the lira. On the other hand, the depreciation of the Spanish and Italian currencies has had a restrictive effect on Germany and France. For it has made the products of the latter countries less competitive in Europe; and the resultant appreciation of the D-Mark may keep German inflation in check in spite of recent union victories, and thus postpone any need for tightening Bundesbank policy.

Ultimately, if concerted management is not attempted in the next few years the opportunity may be lost for a long time. For the G7 is still important enough to influence the direction of the world economy. Indeed, if the three financial leaders – the US, Japan and Germany – could agree, in practice, on an appropriate concerted policy that would be enough. In another few years the emerging countries will have become so important that no inner group will be able to lead; and international macroeconomic co-operation will take on the features of the United Nations.

Meanwhile, the best evidence to support a soft landing can be found in the course of bond yields. These started to rise among the G7 countries by about 2 percentage points from the beginning of 1994 to reach a peak towards the end of last year. Since then, however, they have fallen, thus suggesting that the bond markets – which are far from infallible – do indeed envisage a soft landing.

Bond yields retreat



Source: Datastream

But the discrepancies between countries are as interesting as the common factors. It is not surprising that the yield on 10-year Japanese bonds should have fallen to about 4 per cent per annum. The only surprise should be that they have not fallen faster in the prevailing deflationary atmosphere in that country. It is, however, notable that, in spite of all the alarms about the dollar, the US long bond yield has fallen even further than that of other countries. There seems to have been a drift to the bonds of the three major countries, making little distinction (at prevailing exchange rates) between Germany and the deficit-laden US.

In the case of the lira, the bond rate has not peaked at all, but has soared towards 14 per cent. As for British government bonds: the fall from last autumn's peak has been, at somewhat over half a percentage point, substantial but not spectacular. The disappointing feature for British policymakers is that the absolute level of gilt-edged yields is still so high – nearly 8½ per cent for 10-year bonds – compared with a little over 7 per cent for similar maturities in the US and Germany, and slightly under 8 per cent in France.

An expected inflation rate can be derived from bond rates. To do so one must assume that the yield on medium-dated UK index-linked gilts is an approximation to the international real rate of interest in a world where funds can move freely from one centre to another. This may be a heroic assumption, but hardly less so than the conventional forward projection of the recorded inflation rate of the past three or 12 months.

On this assumption, the real rate of interest – after dipping sharply of the winter of 1993-94 when the evidence of world recovery was slow in coming – has been stable at about 3.8 per cent since the middle of 1994. Subtracting this from average G7 nominal yields gives an expected international inflation rate of 3¼ per cent over the next 10 years.

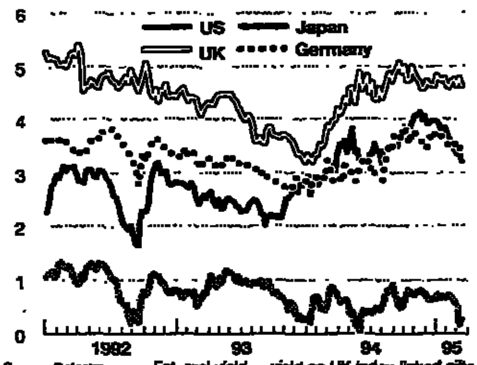
But there are big variations. The expected Japanese inflation rate is hardly above zero – and even that may be a bit high. More surprisingly, expected inflation rates in the US and Germany have come together at a little over 3¼ per cent per annum. The bond markets take seriously the Fed's readiness to take further anti-inflationary action, if necessary. They may also worry about the inflationary potential of any future correction of the overvalued D-Mark.

Mr Don Smith of Greenwell Gilt Watch argues eloquently that pay per head may now be rising a little faster in Germany than in the UK, while productivity may be rising a bit more slowly. But the financial markets resolutely refuse to bite and persist in projecting a British inflation rate averaging more than 4¼ per cent. There may be here a connection with the persistent downward movement of sterling for decade after decade – last Friday the sterling index nearly breached the post-ERM low.

Professor Martin Feldstein – no currency manager he – has just remarked that the recent fall in the dollar (understated by the index because of the high weighting of the Canadian and Mexican currencies) could add nearly 1 percentage point to US inflation over the next 12 months. Mr David Walton of Goldman Sachs argues that a further 5 per cent depreciation of sterling would be highly likely to breach the upper 4 per cent limits of the official British inflation range. And these are only impact effects on import prices.

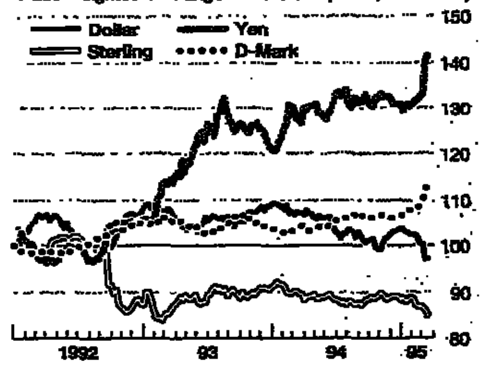
Central bankers should stop worrying so much about the speed of short-term currency movements, which do not matter much if they are soon reversed. What they need to worry about is trends over several years. The best way of correcting these would be to allow the exchange rate a casting vote when domestic indicators do not give a clear lead. This means a bias towards ease in Japan and Germany, and towards tightness in the US and the UK – although the next batch of domestic indicators needs to be taken into account before a British decision is made.

Expected inflation



Source: Datastream   Est. real yield = yield on UK index-linked gilts

Exchange rates



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Feelgood favourites

From Mr Peter Stephens.

Sir, A few suggestions for the contents of a basket of goodies to measure the feelgood factor (Letters, March 21).

The trade-weighted index of the following:

Victory for England in the coming test series against the West Indies;

The return of the *X-files* to BBC2 in the autumn;

Divine retribution for the hubris of US Republican House speaker, Newt Gingrich (or UK employment secretary Michael Portillo);

England to win the Rugby World Cup;

Metal fatigue on safety-pins of designer dresses.

It works! I feel better already.

Peter Stephens,
Coin Street Community Builders,
99 Upper Ground,
London SE1 9PP, UK

From Mr Welwyn Ward.

Sir, What should be included in the UK Feelgood Index?

British Oscar wins: 2 per cent increase for each award. Only acting awards count;

Sporting triumphs: A test match draw or a British player reaching second round at Wimbledon – 5 per cent increase;

Government resignations: 2 per cent increase in FG Index for every cabinet minister forced out of office. This is known as the "hubris factor". No points for junior ministers.

Twenty years ago, a royal wedding would have caused a soaring rise in the Index. This effect has now diminished, following successive devaluations of the royal marriage.

Selwyn Ward,
2 Newstead Avenue,
Orpington, Kent BR6 9RL, UK

Market at work

From Mr David R.W. Potter.

Sir, Do I detect in the appointments pages of the FT a dearth of derivative jobs and an increase in compliance and audit? Self-correcting market forces at work perhaps?

David R.W. Potter,
group chief executive,
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32 St Mary at Hill,
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A poor indicator of investment

From Mr Doug Henwood.

Sir, I found your Lex columnist's observations ("Corporate governance", March 21) that "the lack of strong French pension funds means that the country must woo foreigners for capital" rather strange.

For one, pension funds are an institutional form of savings, a form quite independent of the level of savings. In 1993, France had a gross savings rate equal to 16.7 per cent of gross domestic product, compared with 14.5 per cent for the US and 12.8 per cent for the UK, two countries with well-developed private pension funds; the figures on net saving are even more sharply in France's favour.

But the point of savings, of course, is to finance productive investment. There too, the relation is not kind to pension funds. The World Bank recently reported pension fund assets as a percentage of GDP for nine OECD countries. While the sample is small and the statistical relation a bit loose, the countries with fat pension funds tend to invest less than those with thin ones. In 1991, German pension funds had assets equal to 4 per cent of GDP, while Japan's figure was 8 per cent. The US clocked in at 66 per cent, and UK at 73 per cent. Yet the UK and US invested about half as much as Japan, and a third less than Germany, as a percentage of GDP. For the whole set of nine countries, the regression trend is distinctly downward.

While pension funds may do wonders for stock prices, and keep lots of fund managers happily employed, the inverse relation between pension fund size and real investment reminds me of Keynes's observation that, unlike individuals, a society cannot make financial provision for the future. That must be left to real physical and social investment, areas where the Anglo-Saxon countries, with free-wheeling financial markets, are notably poor performers.

Doug Henwood,
editor,
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US

Programmes yet to show benefit of ITV mergers

From Mr Michael Grade.

Sir, How predictable to see Michael Green, chairman of Carlton Communications, back in print (Letters, March 20), parading the well-worn case that, unless broadcasters like Carlton are allowed to grow in size, then "our production base will shrink, and imports will grow".

We first heard this line two years ago, when he wanted the rules changed so bigger ITV companies could merge. Then he promised new economies of scale to propel British television on to the "global stage", with increased exports of British programmes, and better budgets to make them.

Some people actually believed it – but there's been little change in the level of UK television exports, nor will there be. The outcome of the mergers has not been to support the "abundant talent we are fortunate to have in the UK".

They have been essentially financial events, providing healthy increases in profits for ITV companies, achieved by reducing employment, and doing nothing at all for competition or diversity of supply.

Not satisfied, Mr Green complains that rules are still holding back the companies that "actually invest in UK production". But none of the savings produced by the mergers (estimated by Carlton at up to £100m annually) has been used to enhance ITV's budgets. So much for the proposition that they would create a new engine for UK programme production, for domestic viewing or for export.

If Carlton really believes it needs greater clout to compete with overseas companies "with vast libraries of imported programmes", then why hasn't it used the windfall income from Channel 4 (extracted under the rogue provisions of the 1990 act), to invest in programmes, instead of – yet again – passing it straight through to profits?

Carlton has recently received a further £17m from Channel 4 for 1994 alone: leave that cash with us and it will assuredly be invested directly into UK production – every penny.

Mr Green has every right to want to run a bigger and better business, and to lobby hard to achieve it. But we shouldn't fall for the rhetoric that this is all done in the national interest, nor believe the disingenuous cry of the new licensee that inventing a Mark II ITV monopoly is the best way of stimulating competition.

Michael Grade,
chief executive,
Channel Four Television,
124 Horseferry Road,
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View of risk consistent

From Mr Daniel Sabbagh.

Sir, May I comment on the stimulating review of Will Hutton's book ("Search for a new economic orthodoxy", March 16)? Mr Martin Taylor seems to find contradictory two statements of the book: "Commercial mistakes of the first magnitude...the clearing banks, who lent massively on property" and "clearing banks averse to risk".

There is no inconsistency here: the clearing banks lent massively on property *precisely* because they were averse to risk. Throughout the world bankers averse to risk, who are usually conventional thinkers, decided quite naturally that the prices of property will never fall because they never fell between 1950 and 1989.

I must also take issue with "the calibrated despair" which predicted that in 1995 Britain would have the standard of living of Yugoslavia. It might be instructive to compare the standard of living in Britain, France and Spain. Such a comparison will show that there is room for despair. Furthermore as the poorest 10 per cent of the British population is far poorer than the corresponding section of the French population, the "average" standard of living won't tell the full story.

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FINANCIAL TIMES

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Thursday March 23 1995

Choosing the world's bosses

What have the World Trade Organisation, the World Bank, the OECD, NATO and the European Union in common? The answer is that they have all had leadership contests over the past year. Too often these battles have left winners damaged and organisations in disarray. A better way to make such decisions needs to be found. International institutions underpin the global market economy and are at the heart of international relations. The world needs them to work well. They cannot do so, however, if their heads are held in little respect.

The selection of the new director-general of the WTO has displayed virtually all the possible defects in existing procedures: the assumption that placing a national (or regional) champion on the throne is a vital interest; the consequent clash of wills; the ensuing bitterness; the inadequate procedures for deciding the dispute; the delays; the damage to the credibility of the candidates; the final carve-up and associated side-deals; and, not least, the enfeeblement of the institution.

What is to be done? First, the old simplification of allocating an institution to a particular country or group of countries is not the answer. The US still claims the World Bank. Europeans will, no doubt, continue to do the same for the IMF. But the changing balance in the world economy makes such arrangements look unsustainable, as the assertiveness of the Asians and Latin Americans in the WTO race demonstrates. Their support of regional candidates against Mr Renato Ruggiero shows how precedents for the allocation of jobs to groups of countries must now be discarded.

Distinguishing interests

Second, the chauvinistic idea that it is in the national (or regional) interest to place an individual from one's own country or region on whatever thrones may be going is obviously deluded. International officials do sometimes seem to have difficulty in distinguishing their country's interests from those of the institution they head. There is, however, no surer way to destroy an organisation's influence. If Mr Ruggiero were, for example, even to be thought to be running the WTO in the interests of Europeans, his authority would vanish. The more heterogeneous the membership of an institution, the more important it is for its head to be above any such suspicions.

Third, there must be a process for identifying acceptable candidates that does not provoke head-on clashes among the mastodons. The best solution is to appoint a small search committee representing the significant powers and a sprinkling of the others. The committee's job should be to draw up a short-list of candidates who are acceptable to the most powerful and tolerable to the bulk of the rest. The committee should operate discreetly. To avoid the painful clashes of national egos of the past 12 months, nobody should be presented to the committee as the officially anointed candidate of any one country or grouping.

Clear procedure

Finally, there needs also to be a clear procedure for making the ultimate decision. "Consensus" is increasingly unreliable, because the sense of common purpose is declining as memberships grow and the glue of the cold war weakens. This has been quite obvious in the two most unsatisfactory of the recent races, those in the OECD and the WTO. There must be votes, instead. But "one-country, one-vote" will never be accepted. All countries may be formally equal, but some are more equal than others, as is properly recognised within the IMF and World Bank. Appropriate voting weights are needed in each institution, shares in world trade being the obvious basis for the WTO (naturally, excluding the internal trade of the EU). Particularly big players could be given the right of veto, in addition.

These precise details are less important than underlying principles. Above all, recent disasters should not be repeated. These institutions belong neither to any one country, nor to the present generation alone. They are a precious legacy of the reconstruction after the second world war, to be preserved, indeed strengthened, for the very different world of tomorrow. If the process of selecting who runs them is not improved, they may soon come to seem absurd, or even irrelevant. The lessons of experience must be learned – and learned now.

Britain and Euro-defence

When Mr Wolfgang Schäuble, the power behind Chancellor Helmut Kohl's throne in Germany, came to London this week to pour oil on the troubled waters of British Euro-scepticism, he had a good offer to make. Let us not get in a bind on ideological questions of institutional reform in the European Union, he told Mr John Major and his government ministers. Let us rather concentrate on practical ways in which we can improve something we all want: co-ordinating a common foreign policy and a common defence structure. Germany is happy to make that the top priority for the EU inter-governmental conference to be held next year, and stop short of looking for any more ambitious steps towards European political union.

Perhaps Mr Schäuble was being disingenuous, for there is little doubt that Germany would still like to see important moves to reduce the right of national veto within the EU, and strengthen the powers of the European parliament to exercise democratic control over the 15 member governments in the Council of Ministers. Yet his words should have been reassuring to Mr Major, who is desperately seeking ways of ensuring that the 1996 conference remains extremely modest. The one area in which the British prime minister has made formal proposals is on European defence.

Different hats

The memorandum on the subject circulated by the British government to its EU partners earlier this month is certainly modest. It pulls back from any commitment to build European defence into a new pillar of the European Union, an idea which was being actively canvassed by British officials last year (and enthusiastically embraced by the French). Instead, it proposes yet another layer of Euro-summitry to complicate the existing system, whereby the European heads of state and government will meet apart from their six-monthly EU summits with different hats on – those of the Western European Union – to discuss defence. For a government publicly committed to reducing bureaucracy and simplifying administration, it seems a decidedly odd proposal.

The UK plan would also strictly circumscribe the WEU, the intended instrument of common European security, in its future responsibilities. The Nato alliance would continue to provide the basis of Europe's common defence, thus keeping the US and Canada firmly bound to the European continent. The role of the WEU would be for "lesser crisis management tasks", such as humanitarian relief, and "peace support operations". The WEU would be used whenever the US and Canada decide they do not wish to participate, but the Europeans feel the need to act. The peace-keeping operations in Bosnia have provided a striking example already of such a situation, where the US was not prepared to join in.

Transatlantic divide

The British ideas barely go any way beyond the plans for the WEU already agreed by its members in 1992, except for the idea of new summit meetings. There are clearly two important grounds for the caution: an understandable desire to do nothing which would further alienate the US from Europe and widen the transatlantic divide; and an ideological antipathy to any extension of the role of the European Union. The former concern is important, particularly as signs of transatlantic tension become more apparent, such as the absurd squabble over the appointment of the new head of the World Trade Organisation. The US still provides the great bulk of Nato's hardware and logistical support, and cannot be expected to give carte blanche for it to be borrowed for all-European operations.

Britain's refusal to countenance defence as a separate pillar of the EU is less easy to understand. The EU is the only political structure we have in Europe, and the only one which means anything to the rest of the world. It is the right umbrella for defence, as it is for economic co-operation, foreign policy and internal security. The danger for Mr Major at the 1996 conference is that he will end up blocking every attempt by his partners to strengthen the Union. A willingness to be a bit more ambitious on building a common defence policy is the very least he can offer.

Risk and reward in China

Li Ka-shing, one of the world's richest men, explains his investment strategy to Simon Holberton

When Mr Li Ka-shing's companies report their annual results today, investors will be looking to see if the man some Hong Kong residents call "Superman" has overseen yet another successful year of business.

In an interview this week, the 67-year-old Mr Li, one of the world's wealthiest men, looked fit and trim. He is liked and envied in equal measure in Hong Kong, his adopted home; he is courted by power brokers in Beijing.

But his decision in recent years to focus on investment in China through Cheung Kong and Hutchison Whampoa, the two largest companies he controls, has not been an unqualified success. Stock market analysts are anxious to know how his Chinese ventures are faring.

For years, Mr Li, whose business empire embraces property development, power stations, telecommunications and much else, had held himself aloof from investing in China. The turning point was Mr Deng Xiaoping's tour of southern China in early 1992. Mr Li dates his interest in the country from that time, which he sees as marking the Chinese Communist party's decisive break with central planning in favour of markets.

His most conspicuous success has been his investments in China's ports. In just three years, he has won substantial control of south China's seaborne trade.

In Shanghai, he owns 40 per cent of the container port which last year processed 1m TEUs (20 foot equivalent units) and where business is expanding rapidly.

In the Guangdong area, he controls the two ports which service ocean trade between China and the rest of the world – Hong Kong and Yantian. The latter is a new port: Mr Li has a 55 per cent interest in the company that owns 75 per cent of the facility. He also controls small "feeder" ports which are well located to collect the manufactures of the Pearl River delta – China's most vibrant economic area – for export via Hong Kong or Yantian to the rest of the world. "Yantian one day will be very large," says Mr Li. "For the east and north-east of Guangdong and Fujian, if you want to ship to the US and UK, most will use Yantian."

He is, however, less expansive when talking about Chinese power projects – a difficult area for investors. Cheung Kong is involved in at least 10 projects. Mr Li only says that some contributed income to Cheung Kong last year and that, by 1998, all will be operational and "we will have a high income".

His best known electric power venture is in Zhuhai, the "special economic zone" next to Macao. On completion, the power station should produce 3,500MW, as much as Hongkong Electric, the utility which supplies power to Victoria Island – the centre of Hong Kong – and which Mr Li also controls.

"We already have a quite detailed agreement and I strongly believe it will go through," he says of the Zhuhai project. "The return may be less than [for similar projects elsewhere in Asia], but it is still high enough to allow us to invest."

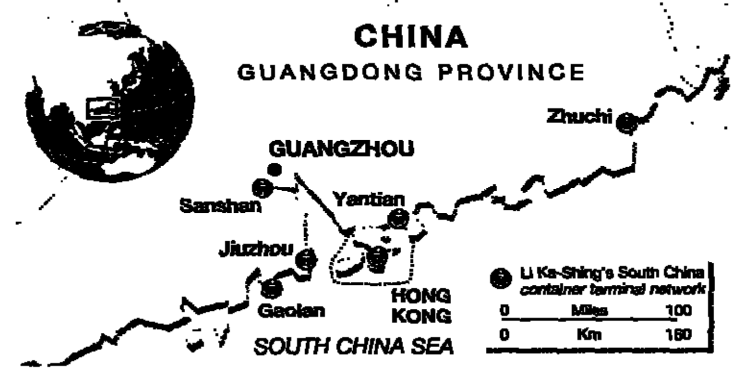
His mention of the rate of return is a reference to a dispute between investors and the Chinese authorities over the profits to be made from power projects on the mainland. China has sought to cap the rate of return, but Mr Li has publicly told Beijing it should relax its policy. "The rate of return for infrastructure investments should not be compared with that of short-term investments in other industries," he said in a speech last year. He also suggested that China establish a "business mediation centre" to settle the numerous disputes between foreign investors and mainland partners.

Mr Li has experience of the problems foreign investors can face in China. The Oriental Plaza property development in Beijing, in which his group has a 64 per cent stake, has been criticised as unsuitably large for its location, overlooking the historic Tiananmen Square, although he dismisses claims that the project is meeting opposition from the Beijing authorities.

Few details of the project have been revealed. But he said this week that he and his partners (Orient Overseas, the shipping company; Mitsui, the Japanese trading company; and Goldman Sachs, the US investment bank) planned to build a series of structures of more than 5.5m square feet of space, excluding a car park for 2,000 cars.

"Inside we will have a first-class hotel, first-class serviced apartments, an office building, and a shopping centre," he said. "But we will take it step by step to build it."

Earlier this year, Mr Li found himself in an embarrassing position when the Beijing authorities arrested Mr Zhou Beifang for "economic crimes". Mr Zhou was the Hong Kong head of the Shougang, China's third-largest steelmaker,



Hutchison Whampoa net profit/loss

(HK$ million)	1992	1993	1994*	1995*	1996*
Property	1,824	2,318	3,393	3,313	1,050
Container terminals	868	1,295	2,247	2,936	3,978
Retail/manufacturing	108	121	520	691	891
Media	(200)	1,383	6	5	22
Telecoms	150	(1,343)	199	341	586
China trade	28	30	36	40	50
Hotels	98	146	103	83	158
Energy, finance & others	185	2,365	1,998	2,588	3,302
Group net profit	3,052	6,804	8,498	9,895	10,034
Earnings per share (HK$)	0.96	1.79	2.35	2.76	2.77

Source: Peregrine * Estimate

and it was Mr Li who, in 1992, helped Shougang obtain a Hong Kong stock exchange listing. Cheung Kong also has a 12 per cent stake in Shougang.

There has been no suggestion that Mr Li is involved in any wrongdoing, but the incident illustrates the pitfalls of pursuing "connections" in China. Mr Zhou was seen as a good contact, because he boasted close ties with the family of Deng Xiaoping, the ailing Chinese leader. This week Mr Li seemed disingenuous when he insisted that his company's initial contacts with Shougang were for a purely "merchant banking" relationship.

Even in Hong Kong itself, business has not been trouble-free for Mr Li over the past year. Cheung Kong, in which Mr Li has a 35 per cent interest, has suffered from reduced activity in the two areas where it is strongest: residential property development and financial trading. Hong Kong's overheated property market cooled appreciably last year, and its stock market was one of the world's worst performers. It seems unlikely that even Mr Li can match the 56 per cent growth in net profits to HK$9.8bn (US$1.3bn) that he unveiled this time last year.

Hutchison Whampoa, a diversified conglomerate in which Cheung Kong has a 44 per cent interest, has a slightly better outlook after failed forays into the Canadian energy sector and the UK telecommunications market. Senior management changes 18 months ago led to a refocusing of its business on Hong Kong and China. Reliance on property development has been reduced, and observers predict that 1994 net profits will rise about 35 per cent over 1993 to about HK$8.5bn.

It is part of the theatre of Hong Kong's corporate reporting season that, on the day Cheung Kong reports its results, Mr Li will make an impromptu appearance before the local media. The media flock to hear his words.

Many of Hong Kong's people admire him as the man who came from nowhere and made millions. He is the embodiment of Hong Kong's postwar success and his company is seen as the bell-wether of the colony's fortunes.

By the time he was 22, Mr Li – whose family had migrated from Shantou to Hong Kong to flee the Japanese invasion of China – had established Cheung Kong, a plastics manufacturer. It was registered in 1950 and capitalised at HK$30,000. Today Mr Li controls businesses which the stock market values at more than HK$230bn.

He is practical and not given to introspection. The dominant impression he gives is of a man who sees business opportunities in simple terms – "people need houses" and "growth in China's trade will underwrite container port profits" – but, once he is convinced, he is quick to seize them.

Like many of his generation, he is proudly Chinese, regardless of the problems of doing business in China. He says he has spent more than HK$1bn to fund education and health in China. "The first thing, the main thing, is that China is my country," he says. "I have the opportunity, and my financial position allows me to do it."

He says he not will be deterred from doing business in China by the difficulties. "In China we know the people, we know them much better than we know other countries. I prefer to invest in China. That's my policy."

Why bonus payments are dangerous

PERSONAL VIEW

There is a rather disturbing sub-plot to the Barings story: the role of bonus payments in influencing the behaviour of those involved. One facet of this was the apparent requirement that bonus payments to Barings staff be guaranteed before the deal with ING, the Dutch bank, could be completed. The aggregate size of such payments relative to the overall size of the bank before it crashed was, moreover, remarkable.

More important, however, is the suspicion that one reason why the trader at the heart of the debacle, Nick Leeson, adopted the sort of strategy he did was that its success would have generated personal bonus payments on a gigantic scale.

The remuneration package for many bank employees such as Leeson consists of a fixed salary, plus a generous percentage share of the profits generated by the profit centre where they work – once that profit has reached a target level.

But this payment structure makes the adoption of a risky strategy the rational course for any trader. If things go wrong, he still picks up a comfortable fixed salary; whereas if the gamble pays off, he scoops the bonus jackpot.

This is subject only to concern about the trader's future employment: if a risky strategy results in significant losses, then clearly the job of the employee responsible for implementing it may be on the line.

This means in turn that the internal control systems of any bank need to be tougher and more comprehensive than would otherwise be necessary, because they have to contend with an incentive structure which that same bank has installed.

Seen in this light, Leeson was not just a unique "rogue trader". The bonus system tempts traders everywhere to emulate him – but just to be luckier.

Such a state of affairs cannot be in the interests of the shareholders who own the bank. They are normally assumed to be risk-averse: they prefer a stable and reliable stream of profits to a volatile one with the same expected mean value.

The solution is to embed such shareholder preferences in the remuneration structure of management. An economist would make remuneration a positive function of the level of profits achieved by a trader's operating unit and a negative function of the variability of those profits. That is to say that a trader's income would rise if profits increased but could fall if a given

Leeson was not just a rogue trader. The bonus system tempts traders everywhere to emulate him

level of performance was not sustained over time.

Many managers would balk at ever making a specific deduction from pay on the basis of an employee's performance, arguing that such a move would be morale-sapping. But a similar result could be obtained by introducing a two-part bonus, with the first part positively related (but at a relatively low percentage rate) to the level of profits and the second part linked to the steadiness of such profits over time.

This can be done. Most bank managements have internal figures for the monthly profitability of each major profit centre, so that an annual figure for the variance of that centre's monthly profits is readily calculable.

Of course, seasonal factors can have a pronounced influence on a business's monthly profits – for example, toy manufacturers make the bulk of their profits at Christmas. Equally, factors outside the control of individual managers can have a strong impact on the variance and mean levels of a business's profits – estate agents make more money when house prices are rising.

But a good management should be fully aware of such factors and be able to relate remuneration in large part to the individual effort of each manager, stripping out the impact of general market or seasonal forces. If basing remuneration partly on the steadiness of profit streams led management to analyse more closely the causes of variance in those streams, that would be all to the good.

The outcome of an individual trader's operations is usually known within a relatively short period. This means that a measure of variability based on monthly operations could be effective.

But the outcome of other operations, such as making loans, can take years to unfold. In these cases, an effective remuneration regime might require deferment of some significant part of a bonus until the variance over a number of years could be observed.

No doubt there are many practical problems. Nevertheless relating bonus payments to the stability, as well as to the level, of profit streams would reduce the number of Leeson-like incidents and take the pressure off control systems, both those imposed by banks internally and those externally imposed by regulators. It should be tried.

Charles Goodhart

The author is Norman Sosnow professor of banking and finance at the London School of Economics

OBSERVER

No soft option

■ Fame in the derivatives industry, as elsewhere, is an evanescent business. Take this year's list of "derivatives superstars", compiled by Global Finance Magazine's editors. Only 26 of the 116 highflyers listed 12 months ago manage a repeat appearance.

Not surprisingly, Bankers Trust, whose disgruntled customers include the likes of Gibson Greetings and Procter & Gamble, dropped out of the top 10 institutions boasting the highest tally of stars. Indeed, only one Bankers Trust employee was granted "superstar" ranking, down from 10 last year.

Step forward Goldman Sachs which, with 10 traders selected, pipped CSFP/CS First Boston to the finishing post. Goldman no doubt wins brownie points for refusing to do business with Robert Citron, the erstwhile manager of Orange County's ruined investment portfolio.

Sadly, there is no award category for the trader who brings down the biggest name bank in the shortest amount of time.

X factor

■ Whatever can have prompted Société Générale and Banque Nationale de Paris to break so flagrantly with French tradition by lambasting the state rescue package assembled last week on behalf of the enfeebled Crédit Lyonnais?

Surely the fact that the chairmen of both competitors just happen to be Inspecteurs Générales des Finances, part of the élite administrative Grand Corps, can have nothing to do with it? Jean Peyrelevade of Crédit Lyonnais, you see, is merely an "X", from Paris' Ecole Polytechnique.

Then again, educational background was not much help to Peyrelevade's predecessor. Jean-Yves Haberer, who helped rack up the enormous losses in the first place, was also Grand Corps.

However that may be, SocGen and BNP have presumably kissed goodbye to a prominent place on the list of advisers for the sale of the FFr135bn pile of Crédit Lyonnais assets.

Skase alert

■ It pays to read local papers. The Malaysian Daily Express found Nick Leeson before the big boys. Now The Majorcan Daily Record has got Christopher Skase, one of Australia's more spectacular corporate casualties of the last recession, to talk.

Jason Moore and Humphrey Carter, reporter and photographer on the English-language Record (circulation some 12,000 copies daily) beat cheque-waving Australian journos to the hitherto largely taciturn Skase.

Enthusing about the Mediterranean island where he has been in self-imposed exile for five years, Skase says in the interview that he – and a sadly anonymous group of international investors – are preparing to build resorts, hotels, theme parks and sports facilities.

His new home, he believes, is set to become the world's most popular island tourist destination.

It is only the the latest twist in a bizarre saga, beginning with the collapse of the former financial journalist's media and resort empire Qintex, with debts of around A$1.5bn, in 1989.

Last year, Skase, pleading, among other things, ill-health due to emphysema, resisted extradition to Australia – and the enormous hospital ship that his compatriots were apparently preparing to dispatch to Spain, in recognition of the dangers for him of air travel, never set sail.

Bland tipple

■ NFC's new chief executive, Gerry Murphy, has the perfect background to handle the smouldering tensions among the logistics group's fiefdoms.

The Greencore chief executive's first job at Grand Metropolitan was as a technical director for the then newly launched drink, Bailey's Irish Cream.

Using skills acquired in getting a PhD in food technology at University College, Cork, he helped ensure Bailey's cream and whisky would not separate.

Preventing separation will come in handy when bringing together Sir Christopher Bland, NFC's chairman, and NFC veterans such as Robbie Burns, managing director of Exel Logistics and finance director Trevor Larman.

Though what the resulting blend will taste like is frankly anybody's guess.

Star ratings

■ Wall Street and other stockmarkets will begin to slide on May 26, followed by big falls on June 6 and June 13. That, at any rate, is the prediction of Rebecca Nolan, mathematician and financial astrologer, in a quarter-page ad in USA Today.

At first blush, Nolan indeed seems to have an impressive track record. According to the ad, she "forecast 1987's Black October to the day . . . and correctly predicted the collapse of the pound in 1993".

Slight problem with the latter piece of clairvoyance. The pound rose nearly 4 per cent, on a trade-weighted basis, in 1993. Sterling's *annus horribilis* was the previous year.

Another triumph for astrology, producing a unique breed of forecaster that cannot even accurately predict the past?

The Financial Times

100 years ago

The rise in Yankee bonds

No better sign of a revival of confidence in American Railroad securities can be found than an improvement in the price of the bond issues. If the share quotations may be called the thermometer of the market, registering the hot and cold fits that alternate from day to day, the bonds are its barometer, whose movements very often foreshadow coming events. The public, many of whom would not as yet touch the shares with a pitchfork, are already beginning to nibble around the bonds.

50 years ago

Discouraging speculation

A new taxation plan has come under discussion at Washington aimed at encouraging post-war investment in private enterprise and to discourage speculation. Under the plan 25 per cent of corporation earnings paid out as dividends would be exempt from taxation, and this would partially offset the double taxation to which earnings are subject since the corporation must pay taxes on earnings, then distribute what is left as dividends on which the investor pays taxes on dividend income.

FINANCIAL TIMES

Thursday March 23 1995

Ambassadors recalled after protests over hanging

Singapore 'demand for justice' angers Manila

By Edward Luce in Manila and Kieran Cooke in Singapore

Relations between Singapore and the Philippines worsened yesterday as both countries recalled their ambassadors for consultations.

The moves came after the Singapore government demanded that Filipinos who set fire to a Singaporean flag during protests over the execution of a Filipina maid, be "brought to justice".

Philippine president Fidel Ramos, angered by the tone of the Singapore government's diplomatic note, told military officers that his government had suspended naval exercises with Singapore and was considering future diplomatic ties.

The Singapore foreign ministry said it was saddened by the deterioration of relations. Singaporeans had reacted angrily to media pictures of the flag burning at demonstrations against the execution of Mrs Flor Contemplacion, hanged in Singapore last Friday.

"Singapore demanded in strong language the Philippine government conduct an investigation to ensure that the perpetrators of the flag burning are brought to justice and that the incident not be allowed to occur again," Mr Ramos said. "The Singapore ambassador was reminded that freedom of expression will never be abridged under Philippine democracy."

He said a seven-member commission of inquiry had been appointed to investigate new evidence indicating that Mrs Contemplacion, found guilty of double murder, could have been innocent.

"If this inquiry produces evidence to show Contemplacion has indeed been the victim of injustice from another country, then let me say here and now we stand ready to sever our relationship with that country," Mr Ramos said.

The Singapore foreign ministry insisted that Mrs Contemplacion had been given full recourse to the law and that new evidence in the case which had been presented had been examined but found to be untrue.

The widening diplomatic breach between Singapore and the Philippines, fellow members of the six-strong Association of South-East Asian Nations, goes beyond the controversial execution of Mrs Contemplacion.

Mr Ramos is known to have been displeased with remarks made by Mr Lee Kuan Yew, Singapore's senior minister, suggesting that the Philippines needed strong leadership to solve its problems.

Mr Ramos replied that under former president Ferdinand Marcos the Philippines had had a strong leader, but its problems had worsened during that time.

Facing a referendum on its three-year-old reform programme at congressional elections this May, the Ramos administration is also keenly aware of electoral anger at the widely reported abuses of Filipina maids who work overseas. Three million Filipinos are employed abroad, most of whom are domestic servants remitting an estimated $3bn dollars a year.

Messy divorce as Italian factions fight over assets

By Robert Graham in Rome

The battle for control of Italy's Popular party (PPI), heir to the long-ruling Christian Democrats, has turned into the country's messiest political divorce. The party's two opposing factions are like a warring couple unable to agree on a division of assets.

The doorman at party headquarters yesterday was cautious. "If you want a meeting with the secretary, chose which one you think is the secretary and make an appointment," he said.

The factions are using separate floors of the party's baroque palace in the centre of Rome and are bickering over who has the right to use the Christian Democrats' old symbol of a red cross on a white shield.

Mr Rocco Buttiglione, ousted as PPI leader 10 days ago, has commandeered the grand reception rooms on the first floor and has walked away with the keys. He insists that he is still in charge.

Two floors up are Mr Gerardo Bianco, the newly elected party secretary, and his new executive. They claim to control the party even though Mr Buttiglione says they have all been expelled.

Ring through to both secretaries and the staffs each insist that their respective bosses has right on his side. "Buttiglione lost a properly convened meeting of the national executive and he's out," say the Bianchi camp. "The vote was rigged against us and we're still in charge," retort their opponents.

The matter has been placed in the hands of a Rome civil court.

Mr Buttiglione was elected PPI leader last July. He represents the conservative wing of the old Christian Democrat party and has never been at home with the its left-leaning faction.

The split opened last month when the left of the PPI, sensing that Mr Buttiglione was about to team up with the rightwing alliance of former premier Silvio Berlusconi, announced that they would join electoral forces with the formerly communist party of the Democratic Left(PDS).

Mr Buttiglione's bluff was called, and he replied by saying he would link up with Mr Berlusconi and his allies. The two options were put to the vote on March 11, with Mr Buttiglione confident enough to pledge to resign if defeated.

He lost by three votes and promptly claimed that he was unfairly denied the votes of three members who had been barred because they were under judicial investigation. Apart from trying to cling on to all of what remains of the old Christian Democrat empire, it soon became clear what he really wanted was the PPI's symbol of the red cross on a white shield.

Although the Christian Democrats have been discredited by corruption scandals, the symbol remains universally known and pollsters believe it still has a strong electoral appeal.

British minister in talks with N Ireland loyalists

By John Kampfner in London and John Murray Brown in Belfast

The Northern Ireland peace process took a step forward yesterday with the first meeting between a UK government minister and political representatives of loyalist paramilitaries.

The last-minute inclusion of Mr Michael Ancram, Northern Ireland minister, in "exploratory talks" with the Ulster Democratic party (UDP) and the Progressive Unionist party (PUP) appeared to pave the way for a similar upgrading soon of contacts with Sinn Féin, political wing of the IRA.

But after four and a half hours of discussions at Stormont, in Belfast, the UDP made clear that Protestant paramilitaries were not yet prepared to begin decommissioning their arms.

"There will not be a physical handing over of weapons by any paramilitary organisation until the environment is created and trust is created to facilitate that," Mr Gary McMichael, the UDP's leader, said after the talks.

Mr Billy Hutchinson of the PUP suggested loyalists were not prepared to begin disarming before the IRA. "We are not saying it's going to happen tomorrow, next week or whenever. All those things in principle need to be discussed," he added.

Downing Street said it was not disappointed by the outcome of the talks, which coincided with the withdrawal of a battalion of 400 British troops from the province to the mainland, the first troops to be pulled out since the ceasefire began last August.

A spokesman for Mr John Major, the prime minister, stressed there had been no softening of the UK line to facilitate the meeting with the PUP and UDP.

The government wrote to loyalist groups and Sinn Féin explaining the conditions for talks, as set out by Sir Patrick Mayhew, Northern Ireland secretary. These are: agreement on the principle of decommissioning; agreement on the mechanism; and an unspecified first practical move to disarm.

"We received precisely what we sought from the loyalists," Downing Street said. A decision was taken late on Tuesday by Mr Major and Sir Patrick to upgrade talks that otherwise would have been headed by civil servants.

Sinn Féin said it alsohad given a "positive" answer. Mr Martin McGuinness, its chief negotiator, said he had been contacted by a British official and that talks could begin as early as tomorrow.

But Mr Ancram said: "As of now, Sinn Féin has not given the clear indications and assurances that would enable ministers to become involved with them. They know what those assurances are and we await to hear from them."

EU compromises on TV and film quotas

Continued from Page 1

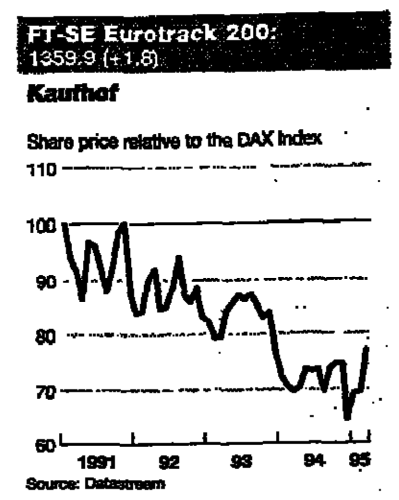
removed. The proposal distinguishes between channels that make general programmes and "thematic" channels such as TNT and Cartoon Network. Thematic channels will have the choice of sticking to the 51 per cent production quota or investing 25 per cent of their budgets in European productions. There will be a three-year period of grace for new channels coming on stream. "It is only right that they should be given time to adjust," Mr Oreja said.

The US has strongly resisted any EU restrictions. Mr Stuart Eizenstat, the US ambassador to the EU, said the union had missed the opportunity to take a bold step and to open its audio-visual market. Although he welcomed the proposal to scrap the quotas after 10 years, he said "a decade is an eternity in this high-risk, fast-moving industry. The quotas will continue to work against a strong European industry." US film companies have lobbied for greater access to the European market.

THE LEX COLUMN

Kaufhof cracks the whip

Mr Jens Odewald is quitting his role as chairman of Kaufhof on friendly terms – indeed he is to be promoted to the group's supervisory board. But his swift departure points to serious ructions at the German retailing group. Quite what these were will remain a mystery, given yesterday's profoundly unhelpful seven-line press release. Nevertheless, the issue probably goes further than the group's recent problems in the travel sector.



Odewald made a name for himself by expanding aggressively into speciality retailing, developing niche businesses such as the Vobis computer chain. These generated respectable earnings growth for the group, but arguably Odewald neglected the group's core department store activities. Kaufhof was taken by surprise when rival Karstadt initiated long overdue consolidation within the sector by merging with Hertie. Kaufhof's own link-up with Horten looked defensive from the start and Odewald hesitated until last autumn before pressing ahead with necessary rationalisation. Mr Erwin Conradi, the Swiss-based entrepreneur and Kaufhof's majority shareholder, has been cracking the whip in other parts of his retail empire. He seems to be doing the same at Kaufhof.

Insofar as Odewald's departure spells intensified cost-cutting at Kaufhof, it is good for the group's shareholders. But the shares, buoyed by disillusion with cyclical stocks, look expensive after outperforming the market by 17 per cent since December. The German retail environment is depressed and set to remain so.

Chemical conglomerates

Conglomerate chemical companies no longer make sense. The old rationale for such groups – to process basic chemicals into as many end-products as possible – is no longer valid. European and US groups rightly see their competitive edge in making added-value products rather than the raw materials. But if they are not making the raw materials, there is little synergy between products as diverse as paints, plastics, dyes or drugs.

Drug businesses, in particular, derive little benefit from being bundled inside chemical giants like Rhône-Poulenc, Bayer or Hoechst. The disadvantages are big: they have little control over their destiny; decision-making is snail-like; and group management is sometimes tempted to allocate costs from unprofitable divisions to pharmaceuticals to hide poor performance. Not surprisingly, margins at chemical groups' drugs operations are lower than industry averages. Other businesses also suffer because the cushion of pharmaceutical profits often delays necessary cost-cutting.

Some groups have dealt with the problem: ICI spun off Zeneca, Schering disposed its non-drugs operations and Dow is selling Marion Merrell Dow to Hoechst. This deal, creating the world's third-biggest drug group, will only benefit shareholders if it is seen as a precursor for the division's eventual flotation. In addition to the operational benefits of breaking up chemical conglomerates, there is financial logic: freed of their parents, independent drugs companies would enjoy high ratings.

UK cable television

Act Two of the flotation of the UK cable television industry has just begun. In Act One, four companies raised money through listings on Nasdaq; with the exception of the biggest, TeleWest, all gave London a miss. In Act Two, London will play a bigger part. General Cable, which kicked off the action yesterday, will list on both exchanges. So will Nynex Cable Communications; while Bell Cablemedia, which originally listed only on Nasdaq, is expected to raise more money in London.

An interesting feature of the plot to date is that TeleWest enjoys a much higher rating than the trio that listed only on Nasdaq. Moreover, the trio – Comcast UK, Bell Cablemedia and International Cabletel – all trade as a bunch, while TeleWest's share price has a life of its own.

This may say something about how General Cable should be valued. Using the standard valuation benchmark of price per home in a cable company's territory, the mid-point of General Cable's indicative pricing is much lower than TeleWest's but higher than the Nasdaq trio's. One explanation is that TeleWest has a higher quality business than the Nasdaq trio – something that also applies to General Cable. But an alternative explanation, which also sounds plausible, is that TeleWest enjoys a scarcity premium as the only UK-listed cable company. The snag is that once General Cable and the others float in London, some of that premium could go. The sensible strategy may be to short TeleWest and buy General Cable.

Orphan assets

Britannic Assurance is right to follow United Friendly's lead in seeking clarity on who owns "orphan assets". These are sums of capital which have been amassed within life funds over decades and are surplus to policyholders' reasonable expectations. In the case of Britannic, the amount of money which could become attributable to shareholders may exceed £1bn compared to £275m at United Friendly.

Shareholders in these companies stand to benefit from higher dividends. There are some caveats: the assets are not wholly transferable to shareholders, just the interest on them; and the first extra dividend directly from newly parented assets is unlikely to be paid until next year at the earliest. But the gains in these companies' share prices over the past month are justified on the basis of plumper payouts in future. The euphoria which has surged through the life sector is undiscriminating, however. Only a handful of smaller, old-fashioned companies will benefit directly: Prudential and Legal & General will almost certainly not.

The excitement has rightly been checked. Sir John Nott's assault on L&G's plans for greater freedom to distribute profits has reminded investors' that the reallocation of orphan assets is not quite the bonanza it may have seemed: shareholders' interests should not come ahead of policyholders'. Moreover the Pru's poor new business figures have underlined the life sector's enduring problems.

See additional Lex comment on NFC, Page 19

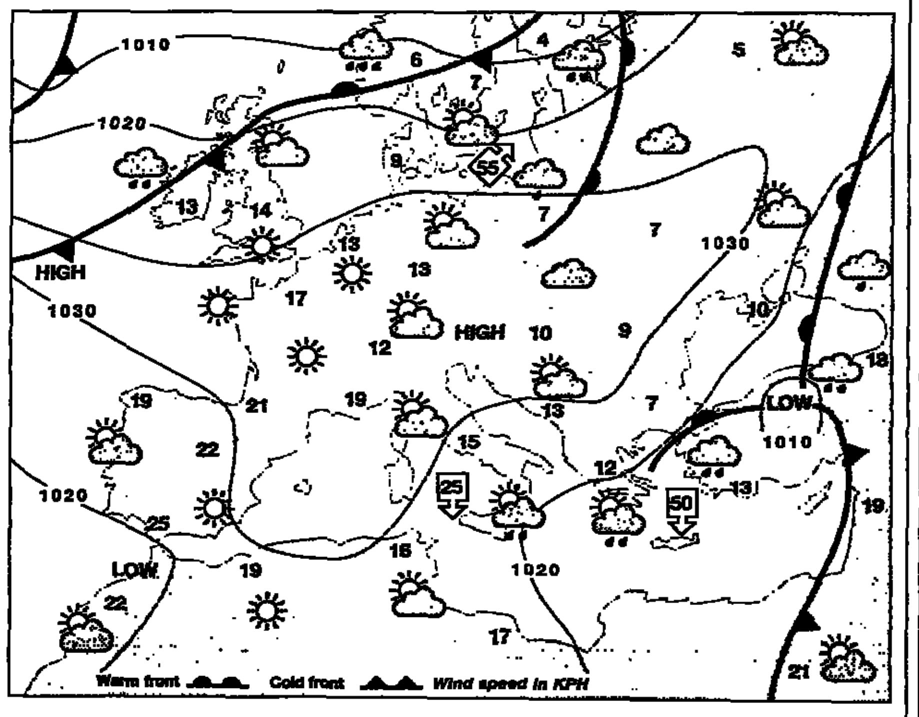
FT WEATHER GUIDE

Europe today

Western Europe will be dry and calm, except for the British Isles and northern Scandinavia. It will be sunny from Spain and Italy towards Denmark and Scotland with temperatures rising to 25C in Spain and 13C in the Benelux. Billowy cloud will develop in Germany during the morning. A north-south orientated zone of cloud from the Baltic States to Hungary will only release precipitation to the north. The eastern Mediterranean will continue unsettled and relatively cool with numerous thunder showers. Extensive rain is expected in Turkey. Central Russia will be dry with variable cloud.

Five-day forecast

An unsettled north-westerly current will cross the British Isles into the continent on Friday. Meanwhile, northern and western Europe will be cooler with rain and wintry showers developing in the North Sea region and renewed snow in the north-west Alps starting at the weekend. The eastern Mediterranean will improve after the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius							
Abu Dhabi	sun	30	Beijing	fair	17	Caracas	fair	28
Accra	fair	31	Belfast	fair	12	Cardiff	fair	14
Algiers	sun	17	Belgrade	fair	10	Casablanca	fair	22
Amsterdam	sun	14	Berlin	sun	14	Chicago	sun	16
Athens	shower	12	Bermuda	fair	21	Cologne	sun	16
Atlanta	fair	28	Bogota	fair	22	Dakar	fair	23
B. Aires	fair	31	Bombay	fair	37	Dallas	fair	31
B.ham	sun	16	Brussels	sun	15	Delhi	sun	30
Bangkok	fair	38	Budapest	cloudy	7	Dubai	sun	29
Barcelona	sun	16	C.hagen	sun	11	Dublin	sun	13
			Cairo	fair	21	Dubrovnik	fair	12
			Cape Town	fair	28	Edinburgh	cloudy	13

Faro	sun	20	Madrid	sun	19	Rangoon	fair	28
Frankfurt	sun	13	Majorca	sun	18	Reykjavik	snow	3
Geneva	sun	13	Malta	thund	13	Rio	fair	30
Gibraltar	sun	17	Manchester	sun	15	Rome	sun	15
Glasgow	cloudy	12	Manila	cloudy	32	S. Frsco	shower	12
Hamburg	sun	13	Melbourne	fair	28	Seoul	fair	14
Helsinki	cloudy	8	Mexico City	fair	24	Singapore	cloudy	32
Hong Kong	cloudy	22	Miami	sun	29	Stockholm	fair	14
Honolulu	cloudy	29	Milan	sun	16	Strasbourg	sun	11
Istanbul	rain	8	Montreal	shower	9	Sydney	fair	29
Jakarta	shower	30	Moscow	fair	6	Tangier	fair	21
Jersey	sun	13	Munich	sun	8	Tel Aviv	fair	23
Karachi	fair	35	Nairobi	fair	27	Tokyo	fair	17
Kuwait	shower	23	Naples	sun	13	Toronto	fair	9
L. Angeles	shower	16	Nassau	fair	28	Vancouver	cloudy	9
Las Palmas	fair	23	New York	fair	17	Venice	sun	12
Lima	fair	20	Nice	sun	15	Vienna	fair	8
Lisbon	sun	22	Nicosia	fair	23	Warsaw	cloudy	7
London	sun	17	Oslo	fair	11	Washington	fair	18
Lux.bourg	sun	14	Paris	sun	18	Wellington	fair	18
Lyon	sun	17	Perth	fair	33	Winnipeg	fair	4
Madeira	fair	22	Prague	fair	11	Zurich	sun	7

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Cost-cutting helps lift Lehman

Heavy cost-cutting helped Lehman Brothers, the US investment bank, to report a slight increase in net income for its first quarter to February 28, in spite of continuing difficulties for securities firms. Meanwhile, top executives at Salomon, the US investment bank and commodities group, had their salaries slashed in 1994, when the group lost $831m before tax. Page 17

BNP advances after lower provisions
A decline in provisions helped Banque Nationale de Paris, the French bank, to unveil a 62.7 per cent rise in full-year net profits to FFr1.66bn ($331m). Meanwhile Mr Edmond Alphandéry, the French economy minister, called the rescue package for Crédit Lyonnais, the state-controlled bank, "complex – but not very complex". Page 16

SCA breaks the forestry trend
SCA, Europe's biggest forestry products group, has broken a trend of rapid profits growth in the industry by announcing a reduction in earnings in 1994 due to reverses in its nappy-making unit. Page 16

Sony president steps down but not out
Mr Norio Ohga, president of Sony, the Japanese electronics manufacturer, will be stepping down but he maintained that in his new role as chairman he would retain control of the company. Page 18

Wharf blames HK property for slow growth
Wharf, the Hong Kong conglomerate controlled by Mr Peter Woo, disappointed investors with a lower-than-expected rise in full-year net profit. The company blamed the downturn in Hong Kong's property market as the main reason for the slower growth in profits. Page 18

General Cable seeks London float
General Cable, the French-owned group, yesterday became the latest cable company to move towards the Stock Exchange with a flotation designed to raise between £198m and £230m ($377m). The flotation will value General Cable at between £557 and £646m. Page 19

Weir raises payout despite fall
Weir Group, the Glasgow-based pumps and engineering concern, yesterday reported the expected fall in 1994 pre-tax profits, but is raising its dividend by 7 per cent. Page 19

NFC names chief executive
NFC, the UK's largest transport and logistics group, ended six months of uncertainty yesterday by naming Mr Gerry Murphy, chief executive of Greencore, the Irish sugar, malting and milling company, as chief executive in place of Mr Peter Sherlock, who resigned last August. Page 19

Turkish delight
The Istanbul market continued its record-setting ways this week. Current optimism, despite the Turkish army's incursions into northern Iraq in recent days, comes from the relative stability of the Turkish lira against the dollar and a reduction in political uncertainty. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Deutsche Bab	157.5	+	5
Dragerwerk	258	+	5
Falls			
Asko Prf	528	–	12
CKAG Col Knz	895	–	15
Goldschmidt	788	–	27
Sprngr Ax Rg	835	–	10
NEW YORK ($)			
Rises			
Apple Comp	37⅞	+	1½
Intl Paper	73	+	1
Phlps Dodge	53	+	1
Falls			
Fingerhut	11⅛	–	2⅜
Lehman Bros	18	–	1⅛
Lotus Dev	40⅛	–	1⅝
LONDON (Pence)			
Rises			
Blenheim	197	+	33
E Mid Elec	830	+	19
Matthews B	114	+	11
Phonelink	238	+	18
Ryl Doulton	284	+	13
Falls			
Barratt Dev	171	–	14
TORONTO (C$)			
Rises			
AFM Hosplty	7⅛	+	⅜
Mtc Mtg Inv	8	+	½
PC Docs Grp	8¼	+	⅞
Falls			
Cognos Inc	27	–	1⅛
Loewen Grp	38⅜	–	1⅜
Nelvana Ltd	12½	–	¾
PARIS (FFr)			
Rises			
Cred Lyon	240	+	22.5
Intrtchnque	577	+	18
Falls			
AGF	155	–	14.8
BIC	690	–	14
Nav Mixte	964	–	16
UFB Locab	337.2	–	13.3
TOKYO (Yen)			
Rises			
Dai Nip Phrm	943	+	25
Tokai Bnk	985	+	57
Falls			
Anritsu	958	–	42
Fuji F&M	485	–	25
Kajima	790	–	53
Mitsbhi Paper	510	–	41
HONG KONG (HK$)			
Rises			
Cheuk Nang	1.8	+	0.12
Fairyoung	2.8	+	0.15
Ming Pao Ent	4.35	+	0.25
Falls			
Champion Tec	1.02	–	0.25
Sun Hung Kai	52.75	–	1.0
Wach Hldgs	7.15	–	0.5
BANGKOK (Baht)			
Rises			
Poonphol	200.0	+	15.0
Prop Perf	226.0	+	18.0
Secs One	143.0	+	13.0
Falls			
Karat San	84.0	–	14.0
Pres Rice	30.25	–	2.0
Thanakar Co	49.75	–	3.25

New York and Toronto prices at 12.30pm.

Microsoft and 'dream team' unite

By Louise Kehoe in San Francisco

Microsoft, the world's largest computer software company, and DreamWorks SKG, the new Hollywood entertainment studio, are to form a joint venture company to produce interactive multimedia software.

The venture will bring together Hollywood's "dream team" – film director Mr Steven Spielberg, music titan Mr David Geffen and former Walt Disney Studios chief Mr Jeffrey Katzenberg – with the high technology industry's premier software producer.

To be called "DreamWorks Interactive", the new venture symbolises the long predicted convergence of the entertainment and computer industries. There have been several attempts to blend Hollywood and high tech talents in the past few years, but none with the star power of the DreamWorks-Microsoft partnership.


Bill joins the dream team: (from left) Gates, Spielberg, Katzenberg and Geffen

Microsoft and DreamWorks have each pledged a "minimum investment" of $50m. DreamWorks Interactive will focus on CD-Rom adventure games, interactive stories, and other multimedia personal computer software for families, said Mr Bill Gates, Microsoft chairman and chief executive.

"The potential for combining the incredible stories created by Jeffrey, Steven and David with the innovative technology and amazing interactivity that are possible today and in the future is just awesome to me," said Mr Gates. "Our partnership with DreamWorks will pave the way for extraordinary new consumer products."

"For me, the merging of storytelling and technology offers an incredible opportunity to reach new generations in ways that could not have been imagined a mere decade ago," said Mr Spielberg, renowned as the director of such box-office film successes as ET, Jaws and Jurassic Park.

DreamWorks Interactive software titles will be based on film and television concepts from DreamWorks productions as well as original storylines and characters licensed from other studios.

The joint venture will establish an "interactive studio" in Los Angeles and will have a development and production facility in Redmond, Washington, close to Microsoft's headquarters. The company is seeking talent from the software, animation, and film industries. Several Microsoft employees are expected to join the new company.

DreamWorks Interactive aims to ship its first titles in time for the 1996 Christmas season. Microsoft will distribute all products created under the partnership as well as its own line of interactive information and entertainment products. Microsoft said that it has acquired a minority interest in DreamWorks SKG. Microsoft's investment is believed to be less than $100m. DreamWorks SKG, formed in October 1994, plans to develop motion pictures, animated films and television programmes and records as well as interactive entertainment products.

Li to invest $1bn in Chinese prospects

By Simon Holberton in Hong Kong

Mr Li Ka-shing, the influential Hong Kong businessman, is preparing to invest more than US$1bn in China's ports and electric power industry in the coming years.

In an interview with the Financial Times, Mr Li, 67, made it clear that he and the companies he controls will be committing large sums to business opportunities in China.

Mr Li said he was very optimistic about the prospects for Hong Kong and China. Leaders in Beijing "want Hong Kong to be successful and I strongly believe that Hong Kong after 1997 [when it reverts to Chinese sovereignty] will continue to be successful," he said.

"In China we know the people, we know them much better than in other countries," he said. "I prefer to invest in China. That's my policy."

Since 1992 Mr Li's companies – Cheung Kong, a property and investment group, and Hutchison Whampoa, a diversified conglomerate – have been investing extensively on the mainland.

His group has won substantial control of China's ports, south of Shanghai, and would be investing up to HK$8bn ($1.03bn) in Yantian, a Chinese container port near Hong Kong, very soon. It has also made large investments in the electric power industry and property market.

He dismissed claims that he had run into difficulties with a large development in Beijing. The Oriental Plaza, which over looks Tiananmen Square, would proceed largely as planned, he said.

Mr Li said he sometimes considers retirement. "Sometimes, when I'm busy, I say I should retire, but that's just talk. I think I can still contribute."

He added that he was lucky to have a good executive team at Cheung Kong who were "loyal to the company and loyal to me too". His signalled out his eldest son, Victor, for special praise in a move which indicates that control of the company will eventually pass to him.

Cheung Kong and Hutchison Whampoa report their annual earnings today. Cheung Kong is expected to report a slower growth in profits than in 1993 while Hutchison is expected to produce a strong result on the back of a surge in earnings from its port operations.
Interview, Page 13

Kenneth Gooding on aluminium's veering fortunes

Alcan profits from the pit and pendulum

Mr Jacques Bougie, Alcan's president, describes the past 10 years as a "swinging decade" for his company. That does not mean Alcan executives were "jet-setting away in the fast lane" but that profits were "swinging like a pendulum as we went from being Canada's most profitable company in 1988, to three years of losses – from 1991 to 1993."

As the aluminium industry's most international company – it was then producing the metal in Australia, Brazil, the UK, the US as well as Canada – Alcan was hurt more than most by the collapse of the Soviet Union. As local demand neared zero, an extra 2m tonnes of Russian aluminium poured into western markets, driving prices down. By 1993 prices had dropped to unprecedented levels.

Mr Bougie recalls that Alcan made effective cuts in production costs. Between 1990 and 1993, sales volumes rose by 5 per cent and annual costs were cut by US$1bn, mainly because of direct management action. The pain was considerable. More than 10,000 jobs were cut or 18 per cent of the global total. "Unfortunately," says Mr Bougie, "this was not enough to offset the reduction in sales revenues, which fell by $1.5bn between the two years."

More had to be done. Last year Alcan sold about $500m-worth of assets to cut its debts. Sales included its 73.3 per cent shareholding in Alcan Australia for US$245m, its North American building products operations for an estimated $120m, its North American extrusions businesses for an undisclosed sum, and smaller operations in North America, Brazil and the UK.

A similar level of asset sales seems likely this year, particularly as the group recently agreed in principle to sell its metal distribution chain in the US. This week it announced it hoped to sell most of its "downstream" operations in the UK in one package to one buyer. That package includes 12 British Alcan businesses with combined sales of more than £400m ($635m), 4,200 employees and a book value of about £200m.

This is by no means a desperate company selling the family silver to survive. Mr Bougie, a slight, intense man, would not set out on any journey without a good reason and clear idea of the best route. The restructuring of Alcan has all his hallmarks.

Now 48, Mr Bougie – a graduate in law from Université de Montreal and in business administration from Ecole des Hautes Etudes Commerciales – joined Alcan in 1979. Ten years later he was appointed president. Colleagues describe him as a very logical thinker and as persistent.

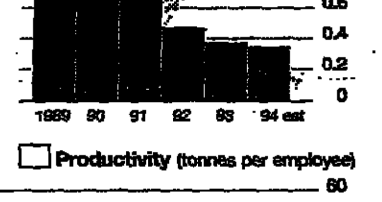
That logical approach was clear when, in 1992, Alcan undertook a study of the market outlook for aluminium and probable prices. It looked at every product in every country and then at the viability of its 125 businesses. That was decided, says Mr Bougie, by comparing the net present value of forward earnings for each business with the capital employed in that business. "That gave us an objective indicator of businesses that were potentially wealth creating, those that were wealth diluting, and those which were actually wealth destroying."

The study concluded aluminium was a good, growing business, if a company was a low-cost producer. And that Alcan had the assets, technology, and position to succeed. Mr Bougie suggests the world may face a "protracted period of disinflation, if not deflation, and, in common with other raw materials producers, we will have to live with world prices that will still be cyclical but fluctuating about a lower average level than in the past."

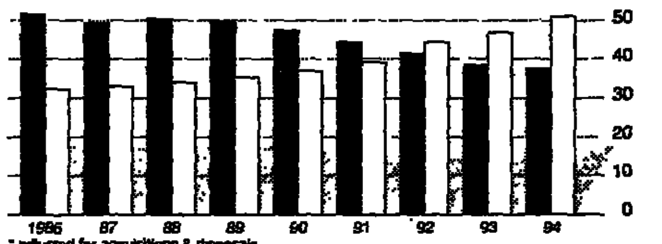
Alcan hammers itself into shape


Jacques Bougie, president

Capital expenditures



Employees* (000s) / Productivity (tonnes per employee)


* adjusted for acquisitions & disposals

Total aluminium demand (annual average % growth)

by region

	1986/93	1993/2000
North America	1.4	1.9
Asia	6.5	5.3
Europe	2.5	4.0
Western world		
Total demand	2.9	3.9
Primary demand	2.6	2.6

by end-use sector

	1986/93	1993/2000
Building	2.5	2.7
Cans	4.3	3.6
Transportation	3.9	4.5
Western world total	2.9	3.9

Source: Alcan

Alcan reorganised its management structure from a geographical to a global product-line one. That reduced management and staff, and gave economies of scale to the commodity-type businesses that Alcan decided were to be its principal operations in future: producing new aluminium and rolling.

In the late 1980s and early 1990s Alcan's capital expenditure peaked at more than $1bn a year as it modernised its smelters (mainly in Canada) and then expanded its rolling capacity in the US and Germany. "This investment is behind us," says Mr Bougie. "The strategy now is to make the most of them."

Alcan decided to keep only those of its 60 downstream businesses that offered long-term profitability and growth and also "to which we could offer something special". Many of these businesses were developed in the early 1960s when Alcan believed they might compensate for slowing growth and profit in its traditional markets. Mr Bougie admits: "The success rate has been dismal. Diversification, even into technologically related fields, is not easy. In many cases the technology was developed successfully, but building bridges to the market proved to be the biggest problem and in some cases the market did not exist . . . We had . . . a product looking for a market."

Managing small businesses within a large company organisation is also a problem. "They inevitably will carry some of the large company baggage of administrative procedures, despite the best efforts to relieve them of it. The people skills and attitudes required in a small, semi-independent business are different from those of a large capital intensive operation. Someone once described it as the difference between driving a Mustang and a 40-ton truck."

Alcan's study also showed the aluminium business was likely to see extremely high growth rates in the use of the metal by the automotive industry and in Asia. Growth in the car business, if it comes, will be beyond the year 2000 when manufacturers may use aluminium for car structures. Alcan is well-placed as it has developed techniques to allow "all-aluminium" cars to be produced in big volumes using existing plant and equipment. Last year, it acquired a substantial plant in eastern Germany capable of being converted to produce aluminium body sheet for cars.

In Asia, Alcan has a long association with Nippon Light Metal, Japan's biggest aluminium group, and has been operating in China for 31 years. Alcan has so many options in Asia, says Mr Bougie, that it was not necessary to keep the Australian subsidiary as a base. The subsidiary was a domestic producer in a mature market and the capital invested will be better used in sectors offering higher growth.

Mr Bougie points out that Alcan is now more than halfway through a disposal programme expected to take between 18 months and two years. "We are in no hurry, this is no fire sale. We want to get the best value for shareholders and, as part of Alcan's corporate culture, we have to think about the employees." Alcan will emerge as a streamlined organisation, concentrating on doing fewer things well, able to remain profitable in the cyclical troughs. Streamlined does not mean smaller, Mr Bougie insists. "We will have a bigger bottom line."

Chairman of Kaufhof quits over policy differences

By Andrew Fisher in Frankfurt

Mr Jens Odewald, one of the best known figures in German retailing, has resigned as chairman of the Kaufhof store group over differences of policy, the company said yesterday.

Kaufhof, the country's second biggest retail concern, only said he would leave at the end of this month in "friendly agreement" with the non-executive supervisory board. He will be proposed as a member of this board at the annual meeting in July.

Under Mr Odewald, 54, Kaufhof moved away from its traditional department store base to specialised outlets in Germany and elsewhere in western Europe. These included fashion, shoe, home entertainment and computer chains. But the company's recent performance has been disappointing, with analysts revising their 1995 earnings estimates downwards. In 1993, the group raised turnover by 13 per cent to DM23bn ($16.4bn) and net income by 7 per cent to DM240m.

Like other German retail groups, Kaufhof – controlled by the unquoted Swiss-based Metro cash-and-carry group – has been affected by the weakness of consumer demand as the post-unification tax burden remains high and concern over job security continues. The company's department store sales fell 9 per cent to DM4.3bn in the first nine months of last year.

Some analysts said the relatively weak result of this core business may have caused Mr Erwin Conradi, head of Metro and chairman of Kaufhof's supervisory board, to fall out with Mr Odewald. They said his departure – which is not unexpected – may also be connected with the delay in deciding to integrate fully the Horten department store company, bought early last year.

Another reason may have been board disagreement over Kaufhof's involvement in the travel sector. Mr Odewald viewed this as a business with exciting prospects, but the company's domestic ITS travel subsidiary has been sold to Rewe, the large German food retailing chain, and its 50 per cent stake in Kuoni travel of Switzerland has been bought by Swiss business interests. Other tourism activities are also up for sale. Kaufhof's finance arm, Service Bank, was recently sold to GE Capital, part of General Electric of the US.

Mr Odewald became chairman of Kaufhof in 1985, when the group's turnover was around DM8.5bn. For nearly three years until 1993, he was head of the supervisory board of the Treuhand, the east German privatisation agency.

SCA profits growth hit by setback in nappy unit

By Hugh Carnegy in Stockholm

SCA, which recently became Europe's biggest forestry products group, yesterday broke a trend of rapid profits growth in the industry when it announced a reduction in earnings in 1994 due to reverses in its nappy-making unit.

Profits after financial items slipped back to SKr1.06bn ($137m) last year from SKr1.2bn in 1993 after SCA was forced to include SKr1.9bn in one-off restructuring charges. Most were incurred at Mölnlycke, SCA's biggest subsidiary, which has been hard hit by price wars and mounting competition from US consumer products groups in the European disposable nappy market.

The setback contrasted with mostly impressive profit gains last year by rival Swedish and Finnish forestry companies which benefited from rising demand and big price increases for pulp and paper products. Stora, SCA's chief Swedish rival, posted a six-fold increase in profits to SKr3.2bn.

But SCA, which this year overtook Stora as Europe's biggest forestry company when it acquired control of Germany's PWA, forecast that profits after financial items would surge to SKr4.5bn-SKr5bn in 1995 when PWA will be fully consolidated. It raised the annual dividend to SKr3.75 per share from SKr3.40 last year.

Group sales in 1994 rose to SKr33.7bn from SKr33.4bn, mainly due to price increases which fed through especially strongly in the fourth quarter. Sales in 1995 are forecast to jump to SKr63bn due to the inclusion of PWA.

Last year, SCA's sales and earnings in packaging, graphic paper and forest and timber divisions all advanced. Sales in the packaging division rose to SKr10.7bn from SKr9.6bn and operating profits moved up to SKr910m from SKr680m.

But sales at Mölnlycke were ahead only slightly at SKr15.1bn compared with SKr15bn and operating profits for the unit slid to SKr851m from SKr1.1bn. A provision of SKr1.3bn was made to cover streamlining of its nappy operations, which include the Libero and Peaudeuce brands, and it is to spend SKr600m by the end of 1996 on new nappy production machinery. SCA said it planned to stay in nappies in spite of fierce competition from US giants such as Procter & Gamble.

SCA also said yesterday it was establishing a new recycling division to group all its operations for recovered paper and packaging.

BNP posts 62% rise as provisions are cut

By Andrew Jack in Paris

A sharp decline in provisions helped Banque Nationale de Paris, a leading French bank, to unveil a 62.7 per cent rise in net profits to FFr1.66bn ($331m) in the year to December 31 1994.

The board also recommended an increase in the dividend from FFr3.00 to FFr3.20 per share.

Net banking income fell 5.7 per cent to FFr39.3bn, while operating costs fell 1 per cent to FFr28.9bn, causing a 16.6 per cent decline in operating profits to FFr10.4bn.

However, provisions for doubtful loans fell 31.8 per cent to FFr7.4bn and other exceptional charges fell 18 per cent to FFr419m. Specific risks fell 32.5 per cent to FFr7.2bn while country risks rose 14.8 per cent to FFr202m.

Provisions against property were FFr25.8bn, including a further FFr2.1bn made in 1994.

The group stressed that its exposure to the market was limited and broadly spread.

Mr Michel Pébereau, chairman, refused to make any additional statement on Crédit Lyonnais, the loss-making state-controlled bank subject to a rescue package last Friday.

"We are awaiting a response," he said.

The group also clarified its recent purchase of shares in Suez, the French financial and industrial group which unveiled a FFr4.7bn loss for 1994 earlier this month and announced its intention to withdraw from property investment.

BNP said it had increased its stake in Suez over the past few weeks to about 5 per cent, and had kept the group informed of its activities.

It said this was part of a strategy begun in the second half of 1994 and intensified at the start of this year.

Mr Pébereau stuck to a written statement on the subject and refused to elaborate last night on future plans for the acquisition or disposal of further shares in the group.

Puzzle over French bank bailout

Crédit Lyonnais rescue plan raises questions only time can answer

Mr Edmond Alphandéry, the French economy minister, calls the rescue package announced last Friday for Crédit Lyonnais, the state-controlled bank, "complex – but not very complex".

Others are rather less convinced – not least Société Générale and Banque Nationale de Paris, its two private sector rivals, which took the highly unusual step of issuing a three-page statement of questions about the plan and its possible anti-competitive effects.

One problem is that there are a number of imponderables: notably numbers which cannot yet be firmly determined because they depend on the future performance of the bank; and details not known because the 200-page contract between the state and Crédit Lyonnais is not public.

Under the terms of the restructuring, Crédit Lyonnais is allowed to hive off its balance sheet a total of FFr135bn ($27m) in assets, which are placed into a company called Consortium de Réalisation (CDR). However, the bank technically remains the owner of CDR, a procedure which Crédit Lyonnais says has been approved by its auditors.

In exchange, Crédit Lyonnais opens a credit line of FFr145bn to Société de Participations Banque-Industrie (SPBI), a company created last year and which is backed by the French state. SPBI, in turn, lends FFr135bn of this to CDR as a "participating loan". SPBI invests the remaining FFr10bn in zero-coupon bonds which mature in 2014.

SPBI is obliged to service its loan from the bank – at 7 per cent this year and then at 85 per cent of money market rates – and to pay back all the FFr145bn capital to Crédit Lyonnais by the end of the 20-year plan. As it pays back capital, the size of the credit line shrinks correspondingly.

As CDR sells its assets, it remits the money to SPBI. SPBI forgives the debts on any amounts that are loss-making. The cash sum paid is used by SPBI to service the loan from Crédit Lyonnais and to pay back the capital. If there is any shortfall, SPBI must find other ways to finance its obligations to the bank.

Andrew Jack considers the fallout from the row provoked by the government's intervention

If all goes according to plan, that leaves SPBI with a deficit on CDR's portfolio estimated at FFr30bn-FFr50bn. The idea is that after 20 years the value of the zero-coupon bonds covers FFr35bn of these losses, and SPBI receives from the state a further FFr15bn from the bank's eventual privatisation.

The rival banks argue that this sum may not be enough to cover the size of the "hole". They also question what the ultimate size of the obligation of the French state will be if the figures change. In theory, existing banking legislation insists that the state is obliged to meet all liabilities.

But there is also a timing difficulty, since SPBI's need to find cash to service its loan to Crédit Lyonnais may sometimes exceed its proceeds from realisations from CDR. This may require it to seek external commercial finance, persuade the bank to delay repayments or obtain funding from the state – which Mr Alphandéry insists will not be permitted.

SPBI also begins to receive another source of income with which it can pay off its loan obligations to Crédit Lyonnais: a dividend on the profits of the bank of 34 per cent up to 4 per cent of shareholders' funds and 60 per cent thereafter. Mr Jean Peyrelevade, the bank chairman, predicts there should be profits of about FFr1bn from next year to provide this income.

The idea is that the below-market interest rates on the loan from Crédit Lyonnais to SPBI act as an incentive for a sale of the CDR assets as quickly as possible. The critics argue that the bank is in fact earning a relatively healthy return on non-performing assets in CDR, and question whether the sales programme should be managed by an independent, third party with more incentive to accelerate disposals.

A more wide-ranging uncertainty is what happens at the time of privatisation – likely to happen within five or seven years – or even earlier if there is a decision to amend the arrangements by a future administration, which is likely to change after the presidential elections this year.

Already, the "defeasance" structure set up last year to hive off FFr43bn in Crédit Lyonnais' property assets has been fundamentally changed, and the assets merged into the new structure. A number of other off-balance sheet schemes to cope with property have also been restructured in recent months.

How far the new objections risk jeopardising the plan remains to be seen. SocGen and BNP were both circumspect yesterday over what further action they would take – such as formally writing to object to the government, or to the European Commission. "We have asked the questions publicly and now we are waiting for a response," SocGen said.

On the other hand, the two banks' decision to make such a public criticism of the plan was all but unprecedented, as was the outspoken response of Mr Peyrelevade, making approval unpredictable.

Domestically, public attention is already turning elsewhere. The French parliament will debate the details, but has little chance of blocking it. That leaves the role of Brussels. Mr Karel Van Miert, the European competition commissioner, is now studying details of the plan. So far he has indicated approval of the outline, and the chances are his ruling will not ultimately go against the views of the French state.

Veba division loses $9m on banned deals

By Conner Middelmann

A fuel trading arm of Veba, the diversified German energy group, has incurred a $9m trading loss through speculative dealings in light heating-oil futures.

Internationale Handelsgesellschaft (IHG), a subsidiary of Veba Oel, the mineral oil division of Veba, flouted an internal ban on derivatives dealings introduced 18 months ago, Veba Oel said.

The losses were discovered when the group reviewed 1994 accounts. The positions have been closed out, so the loss figure is final. The IHG managers responsible for the continuation of derivatives dealings have been suspended, the group said.

The group declined to specify the types of derivatives transactions involved but said the dealings had gone on for more than a year.

IHG, whose 1994 sales were about DM35m ($25.2m), is to be merged with Veba Oel Vertrieb, a distribution subsidiary of Veba Oel.

Trygg-Hansa pulled into red by US arm

By Hugh Carnegy

The full cost of Trygg-Hansa's ill-fated move into the US market became clear yesterday when the Swedish insurer announced it had plunged to a SKr3.66bn ($503.4m) operating loss in 1994.

The bulk of the losses, which compare with a SKr1.5bn profit in 1993, were caused by a SKr4bn charge covering losses and write-downs at Home Holdings, the US insurer Trygg-Hansa bought into four years ago.

Last month, Trygg reached an agreement with Zurich Insurance for the Swiss group to take immediate operational control of Home Holdings, one of the largest US property and casualty insurers, and to acquire Trygg's 64.5 per cent stake over an eight-year period.

Home, which slid to a $385m pre-tax loss last year from a loss of $165m in 1993, has been dragged down by its exposure to so-called long-tail environmental and professional liability claims as well as high debt charges and natural disaster claims.

It is to be de-listed from the New York Stock Exchange.

Trygg intends to concentrate on its core insurance businesses in Sweden.

Last year, premiums earned in its main property and casualty operations fell 8 per cent to SKr7.2bn from SKr7.8bn, mainly due to Trygg's run-down of its reinsurance business.

Claims incurred rose 10 per cent to SKr6.7bn from SKr6bn. Provisions of SKr400m to cover the reinsurance withdrawal also contributed to a slide to a SKr322m loss in the property and casualty operations, compared with a profit of SKr650m in 1993.

Unrealised losses in the group's bond portfolio also pushed the so-called total result, which includes the full impact of the group's investment performance, heavily into the red, to a loss of SKr4.4bn from a profit in 1993 of SKr2.8bn.

No dividend is to be paid this year.

Turnround at Portuguese pulp producer

By Peter Wise in Lisbon

Portucel-Industrial, the Portuguese pulp producer that is to be partially privatised in a global offer in June, lifted net profits to Es3.2bn ($21.7m) in 1994 from a loss of Es6.3bn for the company's first seven months of operation from June to December 1993.

The turnround for the world's second largest producer of bleached eucalyptus pulp was driven by an 86 per cent rise in pulp prices over 1994, as demand pressure on international production capacity pushed prices up from a 60-year low at the end of 1993.

Portucel-I was created as a separate division of the state-owned Portucel pulp and paper group in June 1993 and accounts for about 60 per cent of group sales. An offer of 40 per cent of Portucel-I is to be made simultaneously in Lisbon, London and New York by June 15.

Pulp sales grew 42 per cent in 1994 to Es47.3bn, compared with Es33.4bn in 1993, on a 5 per cent increase in production to 520,000 tons of bleached pulp (sales and production comparisons are with whole of 1993). Cash flow rose to Es9.6bn in 1994 from a negative cash flow of Es2.3bn for the last seven months of 1993.

The company said its 1994 sales of bleached eucalyptus pulp, which is used to make high-grade paper, represented 18 per cent of the western European market. Exports, 88 per cent of which went to the European Union, accounted for 75 per cent of total production.

Portucel Florestal, which manages 102,000 hectares of forest and is 60 per cent owned by Portucel-I, reported a net profit of Es100m in 1994, compared with a loss of Es1.4bn in 1993. Sales grew to Es23.4bn from Es17.2bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 23.03.95: Pool purchase price £/MWh	Final Prices for Trading on 23.02.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.79	8.80	8.80
0100	9.00	8.97	8.97
0130	11.57	8.99	8.99
0200	11.57	8.99	8.99
0230	10.13	8.97	8.97
0300	9.89	8.97	8.97
0330	9.89	8.97	8.97
0400	8.80	8.77	8.77
0430	8.79	8.80	8.80
0500	8.75	8.77	8.77
0530	8.77	8.80	8.80
0600	8.77	8.80	8.80
0630	8.79	8.80	8.80
0700	8.80	9.06	9.06
0730	8.05	9.78	10.17
0800	10.02	9.79	10.19
0830	10.15	9.88	10.24
0900	10.40	10.04	10.50
0930	10.68	10.37	10.86
1000	10.69	13.32	13.83
1030	10.55	10.34	10.82
1100	10.46	10.02	10.50
1130	13.29	10.37	10.87
1200	17.38	10.64	11.16
1230	17.33	10.62	11.13
1300	17.14	10.53	11.01
1330	10.13	9.91	10.35
1400	10.06	9.86	10.27
1430	10.03	9.83	10.24
1500	10.01	9.84	10.25
1530	8.09	9.87	10.30
1600	9.01	10.06	10.56
1630	10.11	10.70	11.41
1700	10.29	16.19	17.65
1730	10.28	21.63	24.42
1800	10.24	27.43	31.51
1830	17.66	28.85	33.19
1900	20.18	24.93	28.28
1930	20.87	19.23	21.09
2000	19.11	14.16	14.93
2030	16.96	9.98	10.44
2100	16.41	9.84	10.26
2130	15.84	9.08	9.08
2200	8.91	9.06	9.06
2230	8.79	8.98	8.98
2300	8.17	8.89	8.89
2330	8.16	8.80	8.80
2400	8.15	8.77	8.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL COMPANIES AND FINANCE

Cost-cutting helps lift Lehman

By Maggie Urry in New York

Heavy cost-cutting helped Lehman Brothers, the US investment bank, to report a slight increase in net income for its first quarter to February 28, in spite of continuing difficulties for securities firms.

The group wants to cut expenses by $300m a year by the end of 1995, and has so far made savings of $182m on an annualised basis.

Net income was $45m, compared with $42m in the same quarter last year, although the year-ago figure came after a $33m pre-tax severance charge and a $13m post-tax debit for an accounting change. Earnings per common share were 31 cents, against 29 cents.

Although earnings were ahead of analysts' expectations of 27 cents a share, Lehman's shares fell 1⅛ to $18. The fall reflected the downgrading of its debt by Moody's Investors Services, the credit rating agency, late on Tuesday. Moody's cut the long-term debt rating from A3 to Baa1, stripping Lehman of the important Single-A.

Mr Richard Fuld, chairman and chief executive, said the rating change was not expected to affect the group's volume or mix of business, but it would increase its cost of funds by between $50m and $100m a year pre-tax.

That would cut earnings per share by between 9 cents and 18 cents in a full year, he said.

The first-quarter results compare with the last good quarter for investment banks – the Federal Reserve raised interest rates for the first time in the current round of tightening in February last year.

First-quarter net revenues fell 19 per cent to $707m, but were at a similar level to revenues in each of the last three quarters of 1994, Mr Fuld said.

Revenues from principal transactions, mainly market-making activity, fell 22 per cent to $359m. Revenues were also 22 per cent lower in investment banking, at $137m, reflecting the decline in the number of new debt and equity issues which began in the second quarter last year.

However, expenses, at $637m, were 18 per cent down on the first quarter of 1994. Within that, compensation expenses fell by one-fifth to $360m.

Lehman has cut almost 1,000 staff from a peak of 9,400 people in January 1994 to 8,428 now. A few more selective job cuts are likely.

Salomon losses hit executive salaries

By Maggie Urry

Top executives at Salomon, the US investment bank and commodities group, had their salaries slashed in 1994, when the group lost $831m before tax. The cuts affect Mr Robert Denham, chairman of Salomon, and Mr Deryck Maughan, chief executive of Salomon Brothers, its main subsidiary.

Last May, the group agreed a new compensation package for Mr Maughan involving a base salary of less than $1m and the chance to earn up to $24m in bonuses, depending on the return on equity and the amount that return exceeded those made by Salomon's leading rivals.

Salomon's results were so poor, though, that the new scheme was not triggered. Mr Maughan received total compensation of $986,000, compared with $6.93m in 1993. That included $875,000 of salary, $13,000 in bonuses, and $148,000 in shares.

Mr Denham's salary is at the discretion of the board. He received $1m, down from $2.1m in 1993.

Mr Maughan's compensation plan was arranged after a tax law was passed preventing companies making tax deductions in their accounts on pay of more than $1m a year, unless the extra was related to performance. A performance-related pay scheme for the group's 140 or so managing directors, set last October, has yet to come into effect.

SGL Carbon issue to raise DM400m

By Andrew Fisher in Frankfurt

The issue of shares in SGL Carbon, a subsidiary of Hoechst chemicals, will be one of the biggest on the German stock market this year raising at least DM400m ($286m). About 20 per cent of the shares would be placed in the US, Dresdner Bank, joint leading the issue, said yesterday.

As with other German initial public offerings aimed at foreign and domestic shareholders, the bookbuilding process will be used to screen potential investors. Schwarz Pharma, a pharmaceutical company, and SKW Trostberg, a specialty chemicals company owned by Viag, are big German IPOs planned for 1995 which will use this method.

The price range for the SGL Carbon shares would be DM55-DM66, giving a price earnings ratio of 8.9 to 10.6, said Mr Hansgeorg Hofmann, a director of Dresdner Bank. Most shares will be placed in Germany and western Europe. Between 7.2m and 9.1m shares will be issued, with bookbuilding lasting until April 3.

The success of SGL Carbon and the other IPOs will be important for the German new issue scene, which was lacklustre last year. Trostberg, which yesterday announced a 23 per cent rise in net profits to DM55m, will be the largest at about DM1bn. But some analysts warned that the state of the German stock market, with prospects for exporting companies dimmed by the strong D-Mark, would not make it easy to sell such issues.

However, most of SGL Carbon's activities are outside Germany. The company, which says it is the leader in the DM7bn worldwide carbon and graphite market, did not exist a few years ago. It was created out of carbon and graphite activities owned by Hoechst, Pechiney and other companies. Turnover in 1994 was DM1.4bn and pre-tax profits totalled DM145m. Two years previously, the company incurred a loss of DM110m on sales of DM1bn.

"We are not a German company per se," said Mr Robert Koehler, the chairman. Less than 20 per cent of its sales are made in Germany. The dominant customer industry is steel, where graphite electrodes are used in electric arc furnaces. These mini-mills use scrap metal.

Every third tonne of steel is produced by this process worldwide, but analysts forecast this will exceed 40 per cent by 2000.

SGL Carbon's products are also used in the automotive, engineering, electrical and other industries. Hoechst will retain a stake of 50 per cent plus one share after the flotation.

US broker announces 500 job cuts

By Maggie Urry

PaineWebber Group, the US securities house which took over much of Kidder Peabody late last year, announced yesterday that it was eliminating up to 500 jobs to "bring staffing costs in line with economic conditions within the industry".

The move follows redundancies at many other Wall Street firms because of the difficult trading background.

The cuts had been expected, following the $670m Kidder Peabody deal which added 2,260 staff to the group.

However, until now it has mainly been the institutional firms which have cut jobs, while PaineWebber's strength is as a retail broker.

PaineWebber stressed yesterday that the cuts affected salaried employees, not the 6,400 brokers who are paid on commission.

It said that as part a continuing review of expenses it was conducting a "firm-wide restructuring" which would result in about 5 per cent of the salaried staff being laid off by the end of this month.

PaineWebber employs 16,600 people, including those paid on commission.

The cut is thought to affect fewer than 500 people.

Christiania to expand to Denmark and Sweden

By Karen Fossli in Oslo

Christiania Bank, Norway's second biggest commercial bank, yesterday showed it had put the country's five-year banking crisis behind it with the announcement of plans to expand operations to Denmark and Sweden this year.

The bank plans to open offices in Stroemstad, Sweden, to serve corporate and private clients in an area extending from Svinesund at the Norwegian-Swedish border, to Gothenberg.

The bank said it was expanding into Sweden because Norway's rejection of membership of the European Union last November had forced several of the bank's Norwegian corporate clients to relocate to the neighbouring country.

Christiania stressed it wanted to take a share of the Swedish corporate market and said it would initially pursue this business from Oslo.

● Moody's Investors Service, the US-based credit rating agency, upgraded the ratings of Christiania Bank in a move which affected $200m of long-term debt.

The agency lifted Christiania's long-term rating to A2 from A3 and the short-term rating to prime-1 from prime-2 as an endorsement of the bank's improved asset quality, stronger capital base and improved profitability.

Volvo says it would consider an overseas buyer for BCP

By Hugh Carnegy in Stockholm

Volvo, the Swedish motor manufacturer, said yesterday it would agree to the sale of BCP, the food, drinks and tobacco subsidiary, to foreign interests in spite of strong internal pressure for a Swedish solution.

"We would not be unhappy with a Swedish solution, but we would be just as happy with a Swiss or a US solution," said Mr Jan Engström, Volvo's chief financial officer, during a visit to Switzerland where Swedish Match, a large part of BCP, is headquartered.

"Our only priority is to get a true and good price from a responsible industrial buyer," Mr Engström added. His comments were echoed in Sweden by Mr Bert-Olof Svanholm, Volvo's chairman.

The sale of BCP, estimated to be worth more than SKr20bn ($2.75bn), has provoked controversy within Volvo. Mr Kurth Augustson, chief executive of BCP's food and drinks unit Procordia, has publicly opposed a sale to foreign operators. He and trade unions leaders at Procordia have called for it to be floated on the Stockholm stock exchange, with Swedish institutions as the chief shareholders.

However, a bourse listing would almost certainly raise less cash for Volvo than a direct sale and the potential buyers are dominated by foreign companies.

Among the front-runners seeking to acquire Procordia are Orkla, the Norwegian conglomerate, and a joint venture between Unilever, the Anglo-Dutch consumer goods group, and Spira Invest, a small Swedish food products company.

Nestlé, the Swiss food and confectionery group, has also declared its interest and was reported this week by a Swedish newspaper to have joined forces with Heineken, the Dutch brewer, and Scandinavian EQT partners, a Swedish investment company, to make a joint bid. The three companies refused to confirm the report.

Audi stages turnround to DM30m

By Kevin Done, Motor Industry Correspondent

Audi, the executive car division of the Volkswagen group, staged a DM119m ($85.2m) turnround last year to post net profit of DM30m, compared with a net loss of DM89m a year earlier.

The company said yesterday the "positive earnings trend is expected to continue". Turnover rose 7.3 per cent to DM13.5bn from DM12.6bn in 1993. The VW group, which includes Audi, Seat and Skoda, announced last week it had achieved a net profit of DM150m last year, compared with a record loss of DM1.94bn in 1993.

Volkswagen also moved yesterday to strengthen the top management of Audi, after last year's turmoil. Mr Herbert Demel, who has spent the past year as speaker of the management board with responsibility for technical development, marketing and sales, has been appointed chairman of the Audi management board.

The position has been vacant since February last year, when Mr Franz-Josef Kortüm left after only 13 months in the job.

Audi confirmed Mr Graham Morris, former managing director of Rover Europe, is to join the board as director for sales and marketing.

Mr Franz-Josef Paefgen is promoted to the board with responsibility for research and development.

Audi increased its sales worldwide last year by 5.2 per cent to 376,141 from 357,521 a year earlier, with sales falling in Germany by 1.8 per cent to 160,803, but rising in other west European markets by 7.4 per cent to 159,927. Sales in the US were virtually unchanged.

Production rose by 3.4 per cent to 352,589, while the workforce was cut by 4.4 per cent to 31,584 at the end of last year.

Investments were more than doubled to a record DM1.5bn from DM784m under the impact of heavy costs for new model development, including the launch of the new Audi A4 in the second half of last year.

Market heats up for Brazilian fridge maker

With the local economy conquered, Brasmotor is looking abroad, writes Angus Foster

Brasmotor, Latin America's biggest white goods manufacturer, has reaped striking gains from the buoyant mood which followed last July's launch of Brazil's Real currency.

With inflation low and personal incomes rising sharply, Brazilians rushed to buy new fridges and washing machines, helping lift the company's 1994 white goods sales by 33 per cent to 4.2m units. Growth is expected to continue this year, so long as Brazil's economic reforms remain on course.

"The appliances market, which was dormant for more than a decade, suddenly awoke and we quickly surpassed the record figures we had from 1979," says Mr Hugo Miguel Etchenique, the Bolivian who runs the company founded by his father. Brasmotor saw net income grow 78 per cent, to $45.9m, in the first nine months of 1994.

About three in 10 households are still without a fridge and many others have very old appliances. However, as the Brazilian market opens to foreign competitors, Brasmotor is looking to overseas markets, and has set itself the goal of becoming a "global company".

Brasmotor's original business involved assembling cars and trucks for Chrysler and Volkswagen. It moved into household appliances in the late 1950s via a joint venture with Whirlpool of the US, now the world's second largest white goods maker. Links between the two companies have tightened. Whirlpool has a 31.5 per cent voting stake in Brasmotor, and one of Mr Etchenique's sons is on secondment to the US company for a year.

Brasmotor is the holding company for the white goods arm, Multibrás, and various component makers and trading companies. It also controls Embraco, which is challenging for the position of the world's biggest supplier of compressors for fridges. Much of the technology and product design for Multibrás' white goods comes from Whirlpool, but much of Embraco's technology is Brazilian.

In the past decade, while Brazil's economy stagnated and companies cut spending, Brasmotor did the opposite. The company has invested about $80m a year for the past seven years, some of it on a new fridge factory in the southern state of Santa Catarina which contributed to a 40 per cent increase in fridge production last year.

Mr Etchenique, 69, says the company kept investing because it had to. Protected by high import tariffs, it had built market shares of about 70 per cent for fridges and washing machines, and near control of many other sectors. "When you are in that position you have to bet on the market and be bullish," he says.

Once import barriers started to fall in 1990, the company set about improving productivity. Brasmotor's three main white goods companies – Brastemp, Consul and Semer – were combined within Multibrás, leading to reduced head office costs and significant productivity gains. Last year's higher production was achieved with an unchanged workforce, suggesting productivity gains of more than 30 per cent.

Multibrás is now operating at 85 per cent capacity, against 60 per cent 12 months ago. Mr Etchenique says the company can increase production further because of its investments in inventory controls. With demand for products still accelerating, finished goods wait only five or six days in the company's factories before being shipped to suppliers.

Hugo Miguel Etchenique: market awoke after a decade

Embraco, however, has been focusing on international markets. Acquired in 1976, it last year sold 10m units, making it the world's second biggest manufacturer of compressors behind Matsushita of Japan. About 70 per cent of production was exported to customers in 60 countries. Whirlpool buys about 25 per cent of production.

Last year, Embraco paid $40m for Whirlpool's European compressor business, based near Turin in Italy. With capacity increased, it could overtake Matsushita this year, but this was not the motive for the purchase. Rather, there was customer unease about relying on supplies from Brazil, which has been hit by frequent economic crises.

The company's next target is a production centre in Asia. Mr Etchenique was last month in China talking about setting up a joint venture near Beijing.

He also wants to make Multibrás more international, and double exports of white goods, which now account for about 10 per cent of the company's sales. Exporting is difficult because of high transport costs from Brazil and Whirlpool's dominant position in many markets.

Mr Etchenique thinks it will take the company between five and 10 years to reach its export goal, and Latin America will be the main target. The company has a joint venture with Whirlpool to sell products in the continent, and has taken a 40 per cent stake in Whirlpool Argentina.

One reason for going overseas is that the Brazilian market can only become more competitive as foreign manufacturers arrive, attracted by the 160m-strong consumer market.

In July last year, Electrolux of Sweden, the world's biggest white goods company, took a 6 per cent stake in Refripar, Brasmotor's main rival. Six months later, Bosch-Siemens of Germany announced its first manufacturing plant in Latin America with the takeover of Continental, Brazil's third largest manufacturer of domestic appliances.

According to industry figures, Multibrás has seen its share of the washing machine market fall 10 percentage points to 60 per cent in the past two years. But with the market growing rapidly, the decline has not affected revenues.

As for the new competitors, Mr Etchenique says: "Their arrival will force us to get better because, if not, they will eat us."

Sony president will step down this month

By Michiyo Nakamoto in Tokyo

Mr Norio Ohga yesterday announced he would be stepping down as president of Sony at the end of this month. However, unusually in Japanese business, he maintained that in his new role as chairman he would retain control of the company.

"I have no intention of retiring," said Mr Ohga, who will continue as chief executive officer while the new president becomes chief operating officer. "The CEO will stand side-by-side with the COO and we will be working as a team," he said. Mr Ohga was required by company rule to give up the presidency on reaching the age of 65, which he did in January.

His comments cast some doubts over the chain of command at the Japanese company. Traditionally, the president of a Japanese company has day-to-day control while the post of chairman is largely ceremonial.

The new president of Sony will be Mr Nobuyuki Idei. He has worked for the company for 35 years, serving as general manager in the audio, video and product communications groups before becoming managing director last year.

Mr Idei, who has been an enthusiastic advocate of Sony's move into multimedia, is likely to follow the course laid out by Mr Ohga, building on the company's hardware and software operations to pave the way into new businesses that are emerging out of the move towards digitalisation.

The period during which Mr Ohga headed Sony, together with the charismatic Mr Akio Morita who founded the company, was one of strong growth and of critical strategic expansion into areas far beyond its original foundations in consumer electronics. Mr Morita resigned as chairman for health reasons last November.

As president, Mr Ohga, a musician by training, led the company through the acquisitions of CBS Records in 1988 and Columbia Pictures in 1989.

His style of management and his natural leadership suited the growth phase in Sony's history which established the company as the most widely recognised Japanese brand throughout the world.

Mr Idei takes on the top job in a very different business climate. Sony has become a huge company with operations extending from consumer electronics hardware, music and films to movie theatres and cable-TV interests.

The difficulty of managing this unwieldy organisation led Sony to introduce a more streamlined structure last year in which businesses were divided into eight companies with greater autonomy.

The trading environment for Sony has also changed dramatically in recent years. Although enjoying some success with its foray into video games and expanding businesses in information and communications technology, it faces a mature market for its core consumer products at home, a cripplingly high exchange rate and intense competition for dominance in the new generation of digitised electronic equipment.

Sony has already stumbled in its move into multimedia as it faces considerable industry resistance to a standard it hopes to establish for advanced digital video discs.

Norio Ohga: 'I have no intention of retiring'

Maruti wins backing for share offer

By Mark Nicholson in New Delhi

Maruti Udyog, India's biggest carmaker, has won approval from Suzuki, which holds 50 per cent of the group, for a public share issue to support expansion plans which could raise its capacity by one third to 300,000 cars a year.

Mr R.C. Bhargava, Maruti's managing director, said the size and timing of the issue was still to be decided, but that the company was looking at a figure of about Rs14bn ($444m) to Rs15bn and an issue towards the end of this year.

Suzuki's approval reverses its previous resistance to launching a public issue. Mr Bhargava said the Japanese company had not wished management to be distracted by organising a public offering last year. He said Suzuki's 50 per cent holding would not be diluted in the issue. Maruti is a 50-50 joint venture between Suzuki and the Indian government, which must formally approve the offer.

The Maruti issue will create an instant blue chip on India's equity markets, but Mr Bhargava said he would be "surprised" if the company made a Euro-equity issue.

He said up to 85 per cent of the money raised would support building of a third plant with a capacity of 100,000 cars, which the company aims to complete by the end of 1997.

Maruti dominates India's passenger car market with a share last year of 66 per cent of all sales. Mr Bhargava said that in spite of the prospect of hosts of new entrants to India's car market on to the roads in the next 18 months, Suzuki was persuaded that the competition would not crowd out the popular Maruti models.

Wharf disappoints with 13% climb

By Simon Holberton in Hong Kong

Wharf, the Hong Kong conglomerate controlled by Mr Peter Woo, yesterday disappointed investors with a lower-than-expected 13.7 per cent rise in net profit to HK$3.1bn (US$401m) from HK$2.7bn in the year to the end of December.

The downturn in Hong Kong's property market was cited by Mr Gonzaga Li, chairman, as the principal reason for the slower growth in profits. The company would not, however, be deterred from pursuing its strategy of asset growth and adding to its stream of quality, recurrent earnings, he said.

The company's annual statement was notable for the way in which its China ambitions had been scaled back. Mr Li said that investments in infrastructure projects were being "examined", although schedules were being "readjusted" to reflect the changing business environment on the mainland. The company was pursuing its large scale Chinese property ventures in Wuhan, Shanghai and Beijing.

The market, which had been expecting a 28 per cent rise in earnings, marked down Wharf's share price by HK$0.95 to HK$28.5.

Profits were struck on a 29.9 per cent rise in turnover to HK$8.1bn from HK$6.2bn. Directors declared a final dividend of HK$0.73 a share, making HK$0.95 for the year. Earnings per share rose at a slower rate of 11.7 per cent to HK$1.43.

Wharf is engaged in a major redevelopment of its Kowloon harbour-side properties. Mr Li said the first phase of Gateway, the redevelopment of Harbour City, added more than 1.2m sq ft of prime office and retail space and was now substantially leased. Phase two was under way and would add a further 2.7m sq ft of retail and office space.

Wharf is a 44.8 per cent shareholder in Modern Terminals (MTL), one of the operators of the Kwai Chung container port in Hong Kong, and plans to spend HK$1bn on expanding the facility.

This will increase capacity from just under 2m TEUs (20 foot equivalent units) to 3.2m by 1998. Last year container throughput at MTL grew by 12.4 per cent. Mr Gerry Higginson, executive director, said the company was exploring opportunities for port development in China.

Wharf Cable, the company's fledgling media and communications subsidiary, lost an estimated HK$350m last year, analysts said. However, Mr Stephen Ng, deputy chairman, said the broadcaster doubled its channels to 16, while almost 1m homes were "passed" by its coaxial cable and microwave services.

The commissioning of fibre optic cables had begun, which when installed would allow the company to offer data and telephony services.

Kobe Steel grinds back into life

The wire rod mill at Kobe Steel's earthquake-damaged Kobe works started rolling again yesterday, signalling the resurrection of steel production lines partly destroyed two months ago.

Kobe Steel was one of the main manufacturing companies hit by the earthquake – two of its mainstay steel mills based in the city were damaged and its head office was devastated.

The reopening of the wire rod mill brought relief to the Japanese auto industry as the production line manufactured valve springs.

Kobe has a 60 per cent share of the Japanese market for these important components.

The company – which in recent weeks has been the subject of rumours that it might move out of Kobe, or merge with another steelmaker – last week announced that its bill for earthquake damage totalled Y131bn ($1.5bn), and would reduce profits in the current financial year by Y99bn.

On a happier note, it said yesterday that the blast furnace at its Kobe works would reopen in early April, sooner than initially expected.

Industry analysts say that

The group is recovering from the Kobe quake, but there are clouds on the horizon, writes Emiko Terazono

Kobe Steel, which is trying to restructure its entire organisation at the same time as it recovers from the earthquake, has demand on its side.

Steel production is taking off because of increased overseas and domestic demand, with figures for February rising 12.3 per cent to 8.1m tonnes from a year earlier. This is the first time February production has topped 8m tonnes in four years.

The rise in demand for copper and aluminium is also helping Kobe Steel's profitability. Profit margins have risen to 6.2 per cent in the second half of the current business year from 3.5 per cent in the first six months.

But there are clouds on the horizon. The company's share price has slid 24.5 per cent since the start of the year, compared with a 16.4 per cent decline for the sector.

In addition, Moody's, the international credit rating agency, has started a review of Kobe Steel's ratings for a possible downgrade, and the strength of the yen, if it persists, will affect the profitability of the entire industry.

Although the company expects to achieve cost-cutting targets by the end of March 1996, as planned, the earthquake's effect on the company's restructuring programme is worrying some analysts.

"We're probably going to see the same company as we saw before," says Mr Edward Brogan, steel industry analyst at Jardine Fleming.

However, industry analysts believe that the stock price has now discounted the effects of the earthquake damage.

Mr Brogan notes that the company is currently negotiating with the government for special tax treatment on the company's losses.

"If they manage to get tax relief, it could be a boost," he adds.

However, Mr Minoru Udono, at brokers James Capel, says Kobe Steel may not benefit from a future rally in the sector since investors will probably avoid the stock.

NEWS DIGEST

Italian telecoms group in reverse as market contracts

Net consolidated profit at Sirti, the Italian telecommunications contractor, dropped to L242bn ($142m) in 1994 as the market continued to contract, writes Andrew Hill in Milan.

In 1993, Sirti, which specialises in project engineering, installation and maintenance of telecom systems, reported a net consolidated profit of L285bn on turnover of L1,605bn. Consolidated turnover rose to about L1,700bn in 1994.

Just less than 50 per cent of Sirti is owned by Stet, the Italian state-controlled telecoms holding company, but it is itself one of Italy's bigger quoted companies. The Italian government is planning to sell off its 61 per cent stake in Stet later this year.

Sirti explained yesterday that it had faced a continued downturn in traditional telecoms projects during 1994, which had not yet been offset by improved demand for the latest services such as optical cable networks and other multimedia projects.

The parent company, Sirti SpA, reported a net profit of L241bn, against L250bn in 1993. The company, which has proposed an unchanged dividend of L520 a share, said it had been held back by the 3 per cent decline in turnover, a drop in prices, and an increase in extraordinary charges as it continued to cut its workforce.

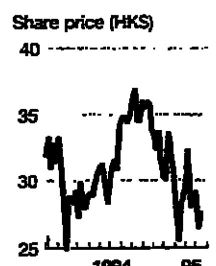
Sogefi increases net 50% to L27bn for year

Sogefi, the quoted Italian car components manufacturer, increased net consolidated profit by 50 per cent last year to L27.1bn ($16m), from L18.1bn in 1993, writes Andrew Hill.

Some 52 per cent of Sogefi is owned by Cir, one of the De Benedetti family's two Italian holding companies, which is expected to report 1994 results towards the end of May. Sogefi said it had benefited from the recovery of the car market, particularly in the second half of last year. An unchanged dividend of L120 per share has been proposed.

Turnover rose to L804bn, from L647bn in the previous year. The exercise of warrants on a bond issue, raising L27.8bn, helped Sogefi eliminate debt of L38.5bn, and finish the year with net cash of L1.8bn.

HK broadcaster posts 23% profit rise



Television Broadcasts (TVB), Hong Kong's dominant terrestrial broadcaster, yesterday posted a 22.9 per cent growth in net profit to HK$639m (US$83m) from HK$519.6m in the year to the end of December, writes Simon Holberton. Profits were struck on a 28.9 per cent rise in turnover to HK$2.65bn. Directors declared a final dividend of 85 cents a share making $1.05 for the 12 months – up 31 per cent on the previous year.

Directors said the Hong Kong government had completed its mid-term review of the company's television licence in December and had amended programming requirements. They said TVB was determined to improve programme quality to meet the needs of local and foreign audiences.

Pearson, the UK media group which publishes the Financial Times, acquired a 10 per cent interest in TVB in January for more than £100m. It is not entitled to dividends declared yesterday.

Pearson began discussions with TVB shareholders about taking a stake in the company a year ago, but broke of negotiations last summer. Talks resumed late last year.

It was separately announced yesterday that Mr Stuart Nazzaro, executive vice-president of Pearson Television Asia, had been appointed to TVB's board.

Vard to delist shares from London exchange

Vard, the troubled Norwegian cruise group, yesterday disclosed plans to delist the company's shares from the London stock exchange with effect from April 3, writes Karen Fossli in Oslo. The shares will continue to be listed in Oslo.

Mr Bernt Stilluf Karlsen, Vard's chief executive, said there had been little activity in the shares in London in recent months and that the group had changed considerably since its shares were listed in London in 1990. In the past four years Vard's financial services and shipbroking operations had been demerged, as had its ferry activities which were subsequently sold to a new company, Larvik Scandi Line.

Malaysian group buys stake in McIntosh

Kuala Lumpur-based Malaysia Mining Corporation, which holds stakes in a number of listed Australian mining companies, yesterday announced that it had acquired a 6.1 per cent interest in McIntosh Securities, the quoted stockbroking and financial services firm headquartered in Melbourne, writes Nikki Tait in Sydney.

MMC was said to have bought the bulk of its stake in September last year, but topped the 5 per cent disclosure level late last week. Out of its total parcel of 4.6m shares, 3.45m were acquired on September 23, at A$1.25, while the remaining 1.2m were purchased on March 17 at 85 cents.

The timing of the latter investment is intriguing, given that McIntosh had links with Baring, the UK merchant bank which collapsed under futures trading losses earlier this month. Baring's operations have been subsequently acquired by ING, the Netherlands-based banking group.

The UK bank held a 19 per cent stake in the Australian company, and had merged its own Australian broking business into McIntosh in the early 1990s.

Aker faces NKr2.33bn claim for damages

Aker, the Norwegian oil and gas technology and cement and building materials group, will today be served with a writ covering a claim for damages of NKr2.33bn ($370m) by an international consortium of insurers for the sinking of the Sleipner A platform on August 21, 1991, writes Karen Fossli.

The platform was under construction by Aker subsidiary Norwegian Contractors, which is also named in the writ, and was nearly completed and due to be towed out for installation in the Norwegian North Sea Sleipner field when the mishap occurred.

Aker has repeatedly refused to negotiate a settlement out of court, saying there is no basis to substantiate gross negligence.

Bombay SE to reopen

The Bombay stock exchange, which has been closed for three days following the collapse of brokers R.S. Jhaveri with gross debts of Rs200m ($6.4m), is due to resume trading today, writes R.C. Murthy in Bombay.

Receivers in at largest butchers chain

By Deborah Hargreaves

The receivers have been called in at JH Dewhurst, the Union International offshoot and the UK's largest chain of butchers shops, after Union's banks refused to extend further credit.

Union, in which the Vestey family owns all of the ordinary shares, also requested that administrative receivers be appointed for the holding company. However other parts of the business will continue to trade normally.

The company's demise follows a four-year restructuring programme to pay down £430m of debts during which time the banks agreed to allow the company to operate under a standstill arrangement.

This agreement was set to run until the middle of this year and Union International had succeeded in reducing its debt to around £100m through disposals and cost-cutting. But the banks decided late on Tuesday to demand that Dewhurst be placed in liquidation.

Dewhurst stores occupy a prime location in many British high streets and with 300 shops, it is the UK's largest nationwide chain. However butchers' shop sales have declined rapidly in recent years under pressure from the supermarkets.

Bruntcliffe

Bruntcliffe Aggregates, the Anglo-American quarry and quarry products group, saw pre-tax profits almost double from £835,000 to £1.62m in the year to December 31.

The advance was achieved on turnover up from £4.77m to £21.9m, of which £7.06m (nil) came from acquisitions and £179,000 (459,000) from discontinued operations.

Atlantic States Materials of Virginia was acquired in May for $4.9m (£2.98m) and the lossmaking Lorasen Coal business was sold in September for $2.4m – an overall loss of £190,000 was incurred on the deal.

Earnings emerged at 1.7p (2.2p) per share and a final dividend of 0.85p makes 1.25p (0.5p) for the year.

Bruntcliffe also announced it was to purchase McQuiston Limestone of Pennsylvania for $860,000.

London quotation will value French company at up to £646m

General Cable seeks listing

By Raymond Snoddy

General Cable, the French-owned group, yesterday became the latest cable company to move towards the London market with a flotation designed to raise between £198m and £230m ($380m).

The flotation, which would value the group at £557m to £646m, aims to reduce debt and fund future network development, as well as anglicising the company.

General Cable is involved in cable franchises covering 1.7m homes, representing 11 per cent of the franchised homes in the UK. It offers telephone and television services in three regions: western London, including Slough and Windsor, Yorkshire and Birmingham.

Compared with other cable companies, General Cable has put considerable emphasis on developing business telecommunications. It has 22 per cent of all cable business telephone lines, 16 per cent of residential lines and 14 per cent of cable television subscribers.

Mr Philippe Galteau, managing director of General Cable, which is controlled by Compagnie Générale des Eaux, the French utilities group, said yesterday: "Our emphasis on business telecommunications, in addition to residential telephony and cable television, has already demonstrated the importance of having three streams of revenue."

There will be a UK offering of 40.5m shares to institutions and intermediaries, together with a 9m offering outside the US, Canada and the UK. There will also be a public offering in the US and a private placement in Canada of 40.5m shares.

In 1994 General Cable incurred a pre-tax loss of £18.3m on turnover of £21m.

US reorganisation leaves Weir lower

By Andrew Baxter

Weir Group, the Glasgow-based pumps and engineering concern, yesterday reported the expected fall in 1994 pre-tax profits, but is raising its dividend by 7 per cent.

Pre-tax profits dropped to £30.5m ($50m), partly reflecting £7.8m of reorganisation costs following October's £135m purchase in of EnviroTech Pumpsystems of the US.

Turnover rose from £449m to £475.5m, including a £35.2m contribution from EnviroTech in the final quarter. New orders slipped from £470m to £462m, but the year finished strongly with £166m of orders in the last quarter, including £32.4m from EnviroTech.

Operating margins in engineered products slipped from 7.2 per cent to 6.1 per cent, mainly reflecting a fall in spare parts orders. Engineering services margins edged up from 8.6 per cent to 9.1 per cent, while EnviroTech's margin was 9.2 per cent.

EnviroTech had made Weir a "much stronger business," said Sir Ron Garrick, chief executive. Its contribution had not been dilutive and had extended Weir's global presence.

NFC names chief to end suspense

By Geoff Dyer

NFC ended six months of uncertainty yesterday by naming Mr Gerry Murphy, currently chief executive of Greencore, the Irish sugar, malting and milling company, as chief executive in place of Mr Peter Sherlock, who resigned last August following a boardroom clash.

The transport and logistics group also reported a 30 per cent drop in first-quarter pre-tax profits and said "a further and fundamental review" of operations was being undertaken.

Mr Murphy, 39, joined Greencore in 1991 shortly after it was partially privatised. Before that he worked for 12 years for Grand Metropolitan in the UK and the US, lastly as managing director of business development at the Pillsbury subsidiary.

Pre-tax profits in the 16 weeks to January 21 fell to £20.7m (£29.4m), despite a lower interest charge of £2.1m (£4.7m) due to the £263m rights issue in December 1993. Losses at Logistics Europe, which acquired two German companies last year, increased to £1.9m (£0.4m).

LEX COMMENT

Rocky road for NFC

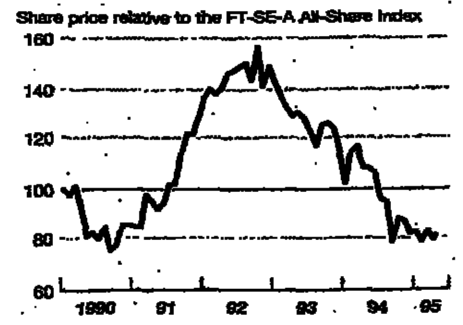
Investors may have rejoiced yesterday at the fact that NFC has a new driver, but they should bear in mind that he will have to negotiate a rocky road. Even with the benefits of a £263m rights issue and a continuing £50m restructuring programme, the UK's largest logistics company has seen first-quarter profits fall by 30 per cent. NFC is suffering intense competitive pressure in its core UK logistics division, where hugely profitable contracts with food retailers are being renegotiated at lower rates. Expansion into Europe and the US has failed to fill the vacuum. Meanwhile the rights issue money, which was supposed to fund ambitious expansion, is being used to stem substantial cash outflows.

Given the limited scope for revenue growth, Mr Gerry Murphy will focus on cost cutting. This is emphasised by the announcement of yet another restructuring programme. But this time there is a promise of tougher measures to ensure the business can then move forward in what will remain a highly competitive environment. The result will be another disappointing profit figure for 1995.

NFC has been "recovery" stock that has refused to recover; its shares have underperformed the market by 42 per cent since January 1993. The share price of food company Greencore thrived under Mr Murphy's stewardship. But expectations of an earnings recovery are already in NFC's share price; so its shareholders should not hold their breath in expectation that Mr Murphy can work the same magic for them.

NFC

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Telspec doubled at £6.6m

Telspec, the manufacturer of electronic telecommunications equipment, nearly doubled pre-tax profits in its first full year as a public company. 1994 profits rose from £3.41m to £6.56m ($11m) while turnover more than doubled to £36.3m (£17.6m).

Mr Garth Riley, chief executive, said the group had secured new business in South America and south-east Asia, while continuing to benefit from strong demand in the UK and Australia, where the group's principal manufacturing operations are based.

About 50 per cent of all sales were outside the UK. To bring production closer to its overseas markets, the group has bought 85 per cent of a manufacturing site in Izmir, Turkey.

Mr Riley said the group already had orders worth £62m, against £31m in March 1993.

Dollar rise limits growth at Trinity

Trinity International, the local newspaper publisher, lifted pre-tax profits 15 per cent in 1994, from £19.9m to £22.9m ($38m). Turnover rose 22 per cent to £164.5m (£134.4m), helped by a full year's contribution from the evening paper in Huddersfield, West Yorkshire, bought in 1993.

Adverse movements in US and Canadian dollars masked a strong trading improvement in Canada and left US turnover static. US profits were down 18 per cent at £1.77m.

Coupled with the addition of Huddersfield, this led to a shift in the balance of Trinity's figures. UK printing and publishing accounted for £109.2m, or two thirds of turnover (59 per cent) and 80 per cent of profits, a rise of 5 percentage points.

With gearing of 40 per cent the company said there was scope for more borrowings, but refused to say whether this would fulfil its acquisition ambitions without it having to come to the market.

Blenheim plans $2m Asian growth

By Geoff Dyer

Blenheim Group, the exhibitions organiser, is to spend $2m over the next two years developing a presence in the fast-growing exhibitions market in Asia, including a joint venture in China.

The company, which announced a £4m restructuring charge and a profits warning in January, yesterday recorded a 33 per cent drop in pre-tax profits for 1994.

The French business, which provides about one third of sales, saw operating profits decline to £10.7m (£25.5m) on revenues of £60.4m (£83.6m). New mangement has been appointed at the division and the head count has been reduced by 40 to 200.

Profits from the US also fell, from £15.1m to £11m, due to declining margins from the group's information technology exhibitions. Staff in the US had been cut from 255 to 203. German profits had declined to £3.9m (£4.8m).

COMPANY NEWS: UK

China Strategic enters UK through Bolton

By Motoko Rich

Shares in Bolton Group nearly doubled yesterday, from 11½p to 21p, as the property investment group announced that China Strategic Holdings would take at least a 27 per cent stake by underwriting a 2-for-7 rights issue and placing to raise up to £4.7m.

Before the deal with the investment vehicle of Chinese tycoon Mr Oei Hong-leong Bolton's shares were trading at their lowest levels since the late 1970s.

Mr Oei, whose family controls the second largest business empire in Indonesia, will join the Bolton board as non-executive chairman.

Mr Chung Cho Yee, executive director of China Strategic, will join the board as non-executive director.

Mr Mark Keegan, current chairman of Bolton, said the move would give shareholders a "more exciting return on their investment". He added that Bolton, which made pre-tax profits of £337,000 in the year to April 30, was basically a property shell.

He said: "For the the first time in my life I am unsure how to invest money in property. Mr Oei was looking for a company through which to develop a UK presence and so we agreed on the deal."

The deal will raise £1.67m from the rights issue at 23p a share and £3.04m through a conditional placing of up to 13.2m shares at the same price. None of Bolton's current shareholders will be selling shares in the deal.

Mr Keegan said: "He has broken a few eggs to make some omelettes." Bolton will give Mr Oei access to the UK equity market. Mr Keegan said the UK group would probably begin investing in China.

Barratt stalls US spending

Barratt Developments, the housebuilder, will not commit itself to further investments in the US until it sees improvements, writes Christopher Price.

The decision follows concerns over the losses there, which increased threefold to £2.1m. Sir Lawrie Barratt, chairman, said the US market remained weak.

In the UK new house prices are likely to rise by no more than 3 per cent this year, according to Sir Lawrie. His remarks were made as the company reported a 42 per rise in interim pre-tax profits from £11.3m to £16.1m.

The continuing improvement in the new house market, apparent during the first half of 1994, had slowed during the second half and year-on-year price rises of 4 per cent were unlikely to be repeated. Sir Lawrie, a long-time critic of government economic policies towards the housing market, blamed "adverse measures," including the phasing out of mortgage relief and interest rate rises.

All-round growth at Newman Tonks

Newman Tonks, the largest architectural hardware group in Europe, lifted pre-tax profits in 1994 by 28 per cent as sales increased across all sections of its business, writes Paul Cheeseright.

Pre-tax profits were £20.2m, at the top end of expectations, compared with £15.8m. Turnover rose to £276m (£257.6m).

Mr Geoff Gahan, chief executive, said that so far the group had managed to resist pressure to pay more for raw materials. Although there were likely to be some increases this year, he expects to be able to pass them on to customers.

Acquisitions contributed £4.9m to turnover. Last year the group spent £12.2m on acquisitions and was the main reason in gearing rising from 39 per cent to 59 per cent.

"We want to see the gearing figure coming down, but it's not a burden," said Mr Gahan.

Trading in the first two months of the current year was ahead both of budget and the same period of 1993.

RESULTS

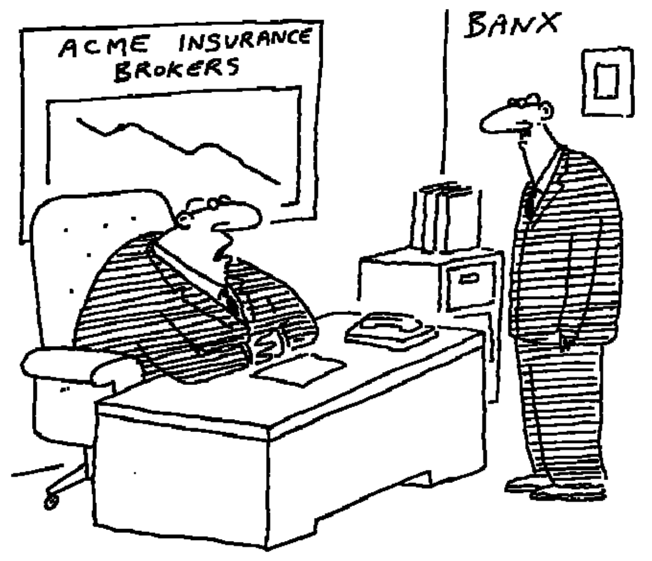
		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbott Mead Vickers	Yr to Dec 31	243.2	(201.2)	8.22	(4.75)	15.68	(9.33*)	5.15	June 16	3.65*	7.4	5.25*
Arcadian Intl	Yr to Dec 31 ■	12.6	(1.28)	0.42	(0.47L)	0.18	(1.23L)	0.8	-	-	0.8	-
Barratt Devs	6 mths to Dec 31	249.1	(218.2)	16.1	(11.3)	5.8	(4.4)	2.5	May 26	2	-	6
Blenheim	Yr to Dec 31	187.2	(198.7)	30.3	(45.2)	15.7	(29.4)	6.65	July 7	6.85	10.35	10.25
BWB Resources	Yr to Dec 31	86.8	(70.1)	3.62	(2.59)	10.1	(8.7)	3.73	May 26	3.3	5.5	4.9
Britannic Assurce	Yr to Dec 31	410.6	(468.5)	31.9	(27.9)	16.39	(14.4)	9.75	May 18	8.75	14	12.6
Brunicliffe	Yr to Dec 31	21.9	(4.77)	1.62	(0.835)	1.7	(2.2)	0.65	May 26	0.5	1.25	0.5
Canning (W)	Yr to 3 Dec 31	99.3	(109.3)	10.6L	(2.21)	47L	(2.2)	4.56	July 3	4.35	7.5	7.29
Churchill China	Yr to Dec 31	42.4	(36)	3.57	(2.42)	25.5	(17.8)	2.19	May 19	-	2.19	-
Cooper (Frederick)	6 mths to Jan 31	42.5	(44.3)	3.44	(2.43)	4.8	(2.2)	0.8	July 3	0.8	-	2.5
Geest	Yr to Dec 31	675.7	(636)	12.8	(5.4L)	13.2	(9.9L)	4.4	June 30	4.4	8.1	8.1
Lincat	6 mths to Dec 31	9.32	(7.17)	0.996	(0.688)	9.1	(6.6)	2.7†	Apr 28	2.2	-	6.9
Matthews (Bernard)	Yr to Jan 1	283.5	(194.8)	18.6	(11.3)	10.32	(8.27)	1.82	May 5	1.4	3.14	2.5
Newman Tonks	Yr to Dec 31	276	(257.6)	20.2	(15.8)	10.65	(7.6)	4	May 26	3.67	6.75	6.2
NFC	16 weeks to Jan 21	639.7	(598.6)	20.7	(29.4)	2.1	(3.8)	1.4	July 3	1.4	-	7.1
Pittards	Yr to Dec 31	121.3	(114.6)	2.16	(6.81L♠)	7.2	(35L)	1.25	May 12	1	2	1
Plasmec §	Yr to Dec 31	13.7	(12.2)	0.72♠	(0.073L)	12.5	(0.7L)	2.5	July 4	2.25	4	3
Ropner	Yr to Dec 31	24.6	(22)	4.41	(3.99)	12.4	(11.3)	4.75†	May 10	4.75	8.25	8.25
Seafield Resources §	Yr to Dec 31	6.5	(7.74)	1.6♦	(0.57♦)	3.1	(1.1)	-	-	-	-	-
Telspec	Yr to Dec 31	36.3	(17.6)	6.56	(3.41)	14.4	(8.28)	2.5	May 16	-	3.7	-
Town Centre Secs	6 mths to Dec 31	10.6	(9.84)	4.21	(3.95)	2.37	(2.14*)	1	June 30	0.96*	-	3.04*
Trinity Intl	53 weeks to Dec 31	164.5	(134.4)	22.9	(19.9)	24	(20.2)	7.4	May 5	6.7	10.7	9.7
Weir	Yr to Dec 30	475.5	(449)	30.5♠	(37.5)	13	(16.8)	4.9	June 15	4.575	6.96	6.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
American Trust	Yr to Jan 31	275.6	(308.8)	4.97	(4.54)	5.99	(5.49)	3.6	May 2	3.6	5.5	5.4
HTR Japanese Smaller	6 mths to Jan 31	-	(-)	0.024	(0.203)	0.02	(0.2)	-	-	-	-	0.45
Nithras	45 weeks to Dec 31 □	59	(54.3)	0.224	(0.304)	0.56	(1.01)	1	May 31	-	1	-
NM Smaller Australian	6 mths to Jan 31	87.81	(116.8)	0.427	(-)	0.85	(-)	-	-	-	-	0.25
Schroder Japan	8½ mths to Jan 31	76.4	(-)	nil	(-)	nil	(-)	-	-	-	-	-

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. *Adjusted for scrip issue. ♦Net of tax. ♠After exceptional charge. ■Comparatives for 8 mths to December 31. □Comparatives for 60 weeks to February 20.

Middlemen must seek a new role

Ralph Atkins reports on changes in the insurance broking market



"I'M REPLACING YOU WITH NEWISH TECHNOLOGY, HOSKINS."

At the former Port of London Authority headquarters building near Tower Bridge, staff are trying to adjust to a change in trade winds.

Willis Corroon, the international insurance broker which has occupied the 1920s building since 1977, recently unveiled a £49.1m ($80m) reorganisation plan, involving 800 job cuts aimed at reversing a "disappointing" profits performance.

Part of the reason for Willis's lacklustre results was over rapid expansion in the early 1990s.

However increasingly hostile conditions in the market for arranging companies' insurance cover were also blamed. Questionmarks remain over the role of the middlemen.

Willis is not unique in searching for economies. At an office a few hundred yards away, another project is under way. Marsh & McLennan, the world's largest broking company, is developing at CT Bowring, its UK subsidiary, a screen-based broking system which it believes will transform the way brokers work.

Its aim is to produce cost savings across the industry by standardisation and eliminating duplication in many thousands of insurance transactions.

Another short walk away, at the east London headquarters of Sedgwick, the world's second largest broker, the emphasis at last month's annual results presentation was different. Sedgwick sees its future in building its international network and developing fee-based consulting businesses, largely via Noble Lowndes, the employee benefits consultancy acquired in 1993.

The quest for cost savings and innovation results from two broad trends in international insurance which are threatening the sector's long-term profitability.

Many large corporate clients are questioning the role of brokers. Some companies have left the conventional insurance market behind, either by using their financial muscle to set up their own "captive" insurance companies, or by not buying insurance for some risks.

This trend has been encouraged by the greater selectivity of some insurers in the risks they underwrite. Uncertainty over the future of Lloyd's of London, which has traditionally underwritten many risks that would not be taken elsewhere, has affected the business of brokers who place business there.

Meanwhile, just as individuals are becoming used to dealing direct with insurance companies such as Royal Bank of Scotland's Direct Line, it is possible a similar trend may emerge for some commercial risks. Where brokers are used, clients are demanding a better service without corresponding increases in commissions.

There have also been changes in the nature of risks faced by companies which is creating demand for a variety of services beyond traditional insurance broking. Increasingly companies are turning to specialists in "risk management" – possibly outside the broking industry – to limit exposure to losses from complex financial instruments, such as derivatives or legal claims.

Mr Howard Green, head of information technology at Marsh & McLennan, says that in spite of such trends, the broking industry has until recently been resistant to change. Unlike other financial services industries, productivity has not been increased.

For example the insurance industry continues to rely on cheques rather than electronic fund transfers. And there has been little effort at cutting costs by harmonising insurance policy wordings.

Hence Mr Green's emphasis on using information technology to cut costs. Marsh & McLennan is building on attempts within the London insurance market and among European reinsurance companies to form electronic networks for placing and closing insurance deals. The company has a pilot scheme in London by which relatively complex insurance contracts can be syndicated to insurance companies around the world.

Although Mr Green says the scheme's success depends on its integration with traditional "face-to-face" broking, he reckons up to 70 per cent of transactions between brokers and insurance companies could be transfered to electronic networks.

Cost savings, however, are only an element of brokers' attempts at restoring long term profitability. The competitive advantage won by one broking company which develops a new trading system is likely to be shortlived.

Broking executives realise the industry must continue to provide a valuable service.

Willis Corroon's reorganisation is aimed at ensuring the business is focused on customer needs – from small companies looking for a economical and comprehensive broking service to corporate giants looking for a broker with clout in the international insurance market to place specialised risks.

The trick is in providing such services and still making good profits. Willis has set a minimum operating margin of 15 per cent for all its business units. The improvement will not be easy. The 1994 average was 8.6 per cent with the North American operations achieving only 2.2 per cent – a figure that will concentrate a few minds.

Windward havoc hampers Geest recovery

The havoc caused to Windward Islands banana production by tropical storm Debbie hampered a recovery at Geest, the fresh and chilled food group.

Nevertheless, the turnround from losses of £5.4m in 1993, when disease hit its Costa Rica plantations, to pre-tax profits of £12.8m last year comfortably topped the group's January forecast of not less than £11.5m, issued when some forecasts were as low as £1m.

Mr David Sugden, chief executive, said the strong performance in the chilled foods division had offset the effects of the storm damage to the fresh produce division. If Windward banana production had reached its normal level of 250,000 tonnes, profits would have been £7m higher.

A full recovery from the storm is not expected in the Windward Islands until the second half of this year.

COMMODITIES AND AGRICULTURE

Copper and aluminium lead rally

By Kenneth Gooding, Mining Correspondent

The feel-good factor returned to base metal markets yesterday as copper and aluminium prices moved up strongly on the London Metal Exchange, taking other contracts with them.

Traders suggested that investment funds, whose selling sparked the recent sharp drop from mid-January price peaks, had returned as buyers yesterday.

"We're back in business, I suspect," said Mr Wiktor Bielski, analyst at Bain & Company, a Deutsche Bank subsidiary.

"Prices are at last reacting to the big falls in LME stocks." He suggested that both copper and aluminium prices might go up by a further $60 a tonne quickly, possibly by the end of this week.

He pointed out that copper supplies were particularly tight at present, with the equivalent of only four and a half weeks of consumption left in LME registered warehouses and only one day of US consumption in New York Commodity Exchange stocks.

Mr Ted Arnold, metals specialist at Merrill Lynch, the US investment bank, agreed that copper, "which is in the best fundamental situation of all the metals", might continue to rise. He thought it might manage another $50 to $100 a tonne before falling back.

The market was entering a time of peak seasonal demand for copper – between the middle of March and the end of May – he pointed out. Nevertheless, once increases in supply began to make themselves felt from the middle of this year, copper prices would fall back, "but not as low as $1 a pound ($2,204 a tonne)".

Copper for delivery in three months closed last night at $2,915.50 a tonne, up $23 and well above the 1995 low point of $2,886.

Sentiment in the aluminium market changed from bearish to bullish as three-month metal, recently at this year's low of $1,757 a tonne, increased by a further $40 to close at $1,824 a tonne. This followed a $23.50 rise on Tuesday.

Nickel prices have also been rising strongly, by $152.50 a tonne on Tuesday and a further $310 yesterday for three-month metal, which closed at $7,745.

The tin market joined in the rally to close last night at $5,842.50 a tonne for the three months position, up $252.50 on the day.

Mr Arnold suggested the fundamental supply and demand position did not justify the present high metal prices. "It is simply a matter of timing, but prices will come down again soon."

World shortage seen lifting wool prices

Wool prices will continue to rise in coming years because of a worldwide shortage, the International Wool Secretariat said yesterday, reports Reuters from Euroa, Australia. But European demand needs to rise for the industry to reach its full potential.

Mr Mac Drysdale, chairman of the wool promotion group, told a wool growers meeting here that global consumption of wool was expected to exceed supply in 1995 and 1996. "From the point of view of being a supplier that is a healthy position to be in," he said.

China was the driving force behind the increasing levels of consumption, Mr Drysdale said, while the US was also a strong market, South Korea, Taiwan and India very strong, and Britain modest.

But he said the main concern about future consumption was in Japan, France, Germany and Italy, where retail figures were still "less than brilliant" because consumers lacked confidence. "These countries are seeing healthy economic growth but it is not coming across into household economic growth," he explained.

Mr Drysdale thought the lack of confidence was caused partly by the slowing of economic growth in Japan, France's 13 per cent unemployment, Germany's reunification and taxes and the political volatility in Italy.

"The message is that until the time confidence returns to consumers in continental Europe, we will not see this industry reach its full potential and demand."

Some 97 per cent of Australia's wool production, forecast at 700m kg in 1994-95, was exported, Mr Drysdale said. "We need to be in the marketplace and that is where the lion's share of our resource should be going."

This month the IWS announced a A$70 million global wool promotion campaign, starting in September, targeting 18-34 year olds and aiming to change the image of wool from conservative and dowdy to casual and fashionable.

IWS acting chief executive Mr Ian Moir told the meeting the IWS was working on plans to make wool crease-free, easier to care for and more casual and lightweight. "The campaign will breath life back into wool," he said.

Wool prices would continue to rise because of the undersupply, Mr Moir said. "But if they go up too rapidly this causes damage to the industry by a move to other fibres. . . We need to ensure there's an added value to wool through quality."

US set to join industry's promotional body

The US is to join the International Wool Secretariat next year, reports Reuters.

The IWS, which was set up to promote wool mainly in the clothing market, has a A$147m (US$107m) budget in 1995-96, of which A$37m ($27m) is for research and development.

The funds come from key exporting nations with Australia contributing A$130.3m, South Africa A$9.1m, New Zealand A$5.6m and Uruguay A$2m. But Mr Drysdale said other wool producing nations were realising the benefits of joining up with the IWS, owner of the Woolmark logo whose new licence fees will raise A$30m in 1995-96.

"Our real competitors are not wool growers in other countries or even other forms of textiles such as cotton and the synthetics but it is wider than that," Mr Drysdale said after a wool growers meeting at Euroa in the Australian state of Victoria. "We need to work together to cut out duplication between exporting countries and use one global marketing strategy."

He said several countries were seeking to either join as full members or set up side agreements. The IWS had reached an agreement in principle with the American Sheep Industry that should be in place by early 1996, he added.

Although the US does not export wool, wool growers and processors are seeking an agreement similar to one reached with Brazil nine years ago to use IWS promotions domestically, together with its expertise and research.

Mr Drysdale said he expected the U.S. to contribute about US$3m a year to IWS funds for these services.

"Some political decisions still have to be taken but they are working with us now to develop the plan and they will become part of the IWS," he stated.

Orange forecast angers Brazilian growers

Frozen concentrated orange juice futures fell sharply in New York yesterday in response to a bearishly-construed Brazilian orange crop estimate, reports Reuters.

The Brazilian Association of Citrus Exporters (Abecitrus) said in Rio de Janeiro that production in the state of Sao Paulo, which produces virtually all the country's orange crop, was forecast to reach 320m boxes (40.8kg each) in 1995-96, compared with the 277m Abecitrus estimated in November for the 1994-95 crop.

Projected fresh fruit sales of 80m boxes in 1995-96 would, on the latest estimate, leave 240m boxes for processing. But the processing yield is forecast to be down 10 per cent.

Local orange growers were stunned by the forecast. "We of course don't accept this," said Mr Leonardo Kossoy, president of the Association of Citrus Growers of Sao Paulo State. "Our research points in the opposite direction. We believe that we will have a smaller crop than in 1994/95."

Even the estimate for the drought-hit 1994-95 crop was believed to be too high. Some growers thought it should be closer to 250m boxes.

The large crop estimate would be an important factor in negotiations for purchases for the 1995-96 crop, which had still to begin in earnest, Mr Kossoy said. "If they start with this figure, most producers will be very scared and want to sell quickly. I am certainly going to advise growers to be very careful."

In late trading yesterday the July New York futures price was 105.25 cents a pound, down 2.85 cents on the day and 7.15 cents from a week ago.

Cuba secures Chinese sugar deal but loses out on nickel

By Pascal Fletcher in Havana

A bilateral trade accord for this year between Cuba and China includes a contract for the delivery of 400,000 tonnes of Cuban raw sugar but foresees no nickel shipments for the first time in several years, a Chinese embassy official in Havana said this week.

Economic and Commercial Counsellor Luo Liecheng said the 1995 accord was for the same amount of sugar as that originally contracted for 1994.

Cuba had been unable to complete last year's commitment, sending only 290,000 tonnes, because of a shortfall in its 1993-94 harvest, which produced a long-time low of 4m tonnes. "We hope Cuba will be able to deliver the sugar," the Chinese diplomat said, adding that he understood shipments had already begun.

The bilateral trade accord agreed last month foresaw Cuban pharmaceutical exports to China but did not include a contract for Cuban nickel deliveries. That was because Cuba had for several consecutive years been unable to fulfil agreed annual delivery contracts to China.

Cuba's nickel and cobalt production was badly hit by the collapse of trade with the former Soviet bloc and has fallen consistently since 1989. It dropped in 1994 to 26,772 tonnes from 30,227 tonnes in 1993. But Cuban industry officials say injections of foreign capital and modernising investments should lift output back above 30,000 tonnes this year.

Prospects look less bright for Cuban sugar, which is headed for another low harvest. President Fidel Castro predicted last week that 1994-95 production would "unfortunately" be around 4m tonnes.

Cuba's state media have reported harvesting and milling lagging behind schedule in the first third of March, a peak harvest month. This has raised some questions about just how much sugar Cuba will have available to supply its traditional clients this year.

Besides the China deal, Cuba is expected to negotiate another sugar-for-oil trade agreement with Russia this year, although the two sides are still in the process of completing unfinished 1994 contracts. A similar but smaller deal with Kazakhstan has also been mooted and a high-level trade delegation from Iran is expected in Havana in the next few months to discuss details of a possible sugar-for-oil trade.

Despite the gloomy prospects for this year's sugar harvest, Cuban officials are predicting a recovery in the 1995-96 campaign thanks to pre-financing for essential harvest inputs committed by foreign banks and companies.

MARKET REPORT

Quota plan buoys coffee price

London Commodity Exchange COFFEE prices ended sharply higher yesterday amid light speculator buying that was partly fuelled by news that a group of Brazilian exporters were supporting quota plans.

The May delivery contract jumped $92 to $3,170 a tonne at one stage and at the close was up $87 at $3,165. Earlier a trader had said that "a close above $3,150 will look good on the charts".

Others noted, however, that prices has drifted higher in light volume and few players were chasing the market. A stronger tone in New York helped to underpin the rise, they added.

Some traders said overnight news that the Brazilian Federation of Coffee Exporters had approved an export quota system to achieve the "export retention" agreed under an international producers' price support accord had encouraged some buying.

COCOA futures prices firmed slightly in healthy volume, meanwhile, amid busy price fixation by industry buyers and consolidation after the recent slide.

At the close the May contract was up £6 at £973 a tonne after trading between £965 and £979. Traders said prices could slide in the short term but industry support was unlikely to let nearby delivery positions fall much below £950.

White SUGAR futures prices rallied on the back of a rise in New York fuelled by strong demand in the physical market. In late trading the prompt May position was up $1.70 at $379.50 a tonne, having rebounded from a low of $374.70.

"People are all saying high prices paid in the physical market must be reflected in the futures," one trader commented.

Unconfirmed reports that Russia would import 250,000 tonnes of Cuban sugar in exchange for oil also helped to buoy futures prices.

Precious metals prices showed little reaction to the news of a much deeper-than-forecast US January trade deficit released in the afternoon.

The London GOLD price closed at $382.40 a troy ounce, down 50 cents, while cash SILVER was down 8 cents at $4.62½ an ounce and PLATINUM down $6.05 at $412.50 an ounce.

The market viewed the trade figures as "notoriously erratic" explaining gold's aloofness to them, one dealer said.

Also supporting gold was the indecision on the foreign exchange markets with the dollar straddling Dm1.41 in volatile trade having dropped initially.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1788-8	1823-5
Previous	1744-6	1783-5
High/low	1772	1842/1780
AM Official	1772-2.5	1809-9.5
Kerb close		1841-2
Open int.	210,948	
Total daily turnover	32,071	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1824-5	1824-5
Previous	1760-70	1760-70
High/low		1820/1790
AM Official	1785-95	1785-95
Kerb close		1830-40
Open int.	2,702	
Total daily turnover	1,010	

■ LEAD ($ per tonne)

Close	605-6	618-9
Previous	590-1	595-5.5
High/low	592.5	619/600
AM Official	592.5-3	606.5-7
Kerb close		615-6
Open int.	36,559	
Total daily turnover	8,223	

■ NICKEL ($ per tonne)

Close	7610-20	7740-50
Previous	7290-320	7420-50
High/low	7405/7400	7790/7450
AM Official	7400-1	7530-5
Kerb close		7790-800
Open int.	53,686	
Total daily turnover	7,182	

■ TIN ($ per tonne)

Close	5800-10	5840-5
Previous	5520-40	5580-600
High/low		5880/5630
AM Official	5700-10	5760-5
Kerb close		5870-80
Open int.	19,856	
Total daily turnover	8,453	

■ ZINC, special high grade ($ per tonne)

Close	1041-2	1068-9
Previous	1016-7	1043-4
High/low	1027.5	1070/1048
AM Official	1027-8	1053-4
Kerb close		1070-1
Open int.	97,548	
Total daily turnover	14,441	

■ COPPER, grade A ($ per tonne)

Close	2955-8	2915-6
Previous	2923-4	2892-3
High/low	2960/2950	2920/2888
AM Official	2949-51	2903-4
Kerb close		2920-1
Open int.	227,161	
Total daily turnover	45,831	

■ LME AM Official £/$ rate: 1.5855
LME Closing £/$ rate: 1.5885

Spot:1.5865 3 mths:1.5852 6 mths:1.5822 9 mths:1.5786

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	142.10	+3.00	142.75	140.00	3,251	541
Apr	140.90	+4.20	141.10	138.40	1,887	84
May	138.30	+3.90	139.20	135.10	22,702	3,129
Jun	135.70	+3.60	135.20	133.20	626	3
Jul	133.50	+3.30	134.50	130.80	5,963	113
Aug	131.40	+3.05	131.20	129.20	370	2
Total					44,891	4,059

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.20-382.60		
Opening	380.85-381.25		
Morning fix	381.40	240.859	448.069
Afternoon fix	382.25	240.787	447.233
Day's High	382.70-383.10		
Day's Low	381.10-381.50		
Previous close	382.70-383.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.08	6 months	4.80
2 months	4.26	12 months	5.25
3 months	4.52		

	p/troy oz.	US cts equiv.
Silver Fix	289.05	458.25
Spot	292.95	464.05
3 months	[illegible]	471.20
6 months	[illegible]	[illegible]
1 year	[illegible]	[illegible]
Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	[illegible]
Maple Leaf	[illegible]	
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	383.1	+0.8	-	-	35	35
Apr	383.5	+0.7	383.7	381.6	55,832	3,057
May	384.7	+0.6	-	-	-	20
Jun	386.1	+0.8	386.3	384.0	34,194	4,442
Aug	389.3	+0.6	389.1	387.3	16,857	221
Oct	392.7	+0.6	-	-	4,639	198
Total					168,138	27,975

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	414.7	-0.3	415.0	411.5	10,179	8,002
Jul	416.9	+0.1	417.0	413.6	9,428	2,076
Oct	420.0	-0.3	418.5	418.0	2,326	613
Jan	423.5	-0.5	422.5	422.5	669	72
Total					22,602	10,763

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	168.80	+3.15	-	-	10	2
Jun	169.80	+2.15	171.00	168.00	7,217	345
Sep	171.05	+2.15	168.50	168.50	472	4
Dec	172.05	+2.15	-	-	133	1
Total					7,832	352

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Mar	464.2	+6.7	461.0	458.0	44	21
Apr	465.0	+6.5	-	-	1	-
May	467.0	+6.5	468.0	458.5	64,729	14,934
Jul	472.3	+6.5	473.5	463.5	14,786	778
Sep	477.3	+6.6	471.5	470.0	11,269	38
Dec	485.1	+6.7	486.0	478.5	16,286	188
Total					131,372	17,314

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	112.40	+0.25	112.75	112.50	84	32
May	113.20	+0.20	113.00	112.90	1,840	19
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000 bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000 bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Nuts and Seeds: [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	962	-1	963	958	1,887	109
May	975	+8	979	965	20,471	4,982
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	69.875	-0.550	70.125	69.800	35,178	9,623
Jun	63.825	-0.250	64.775	63.750	23,743	3,362
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER

(Grade A) LME	Jun	Sep	Jun	Sep
2850	121	90	50	130
2900	93	71	71	160
2950	69	55	98	193
■ COFFEE LCE	May	Jul	May	Jul
3050	187	264	72	201
3100	157	240	92	227
3150	130	220	115	257
■ COCOA LCE	May	Jul	May	Jul
950	40	67	15	32
975	26	53	26	43
1000	16	42	41	57
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1600	107	121	34	59
1650	74	94	47	82
1700	51	71	74	109

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May) +or-

Dubai	$16.52-6.56z	+0.29
Brent Blend (dated)	$17.14-7.16	+0.41
Brent Blend (May)	$17.04-7.06z	+0.30
W.T.I. (1pm est)	$18.77-8.79z	+0.43

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-173	
Gas Oil	$149-150	+2.0
Heavy Fuel Oil	$98-99	-2.0
Naphtha	$173-174	+1.0
Jet fuel	$170-171	+3.5
Diesel	$152-154	+2.0

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

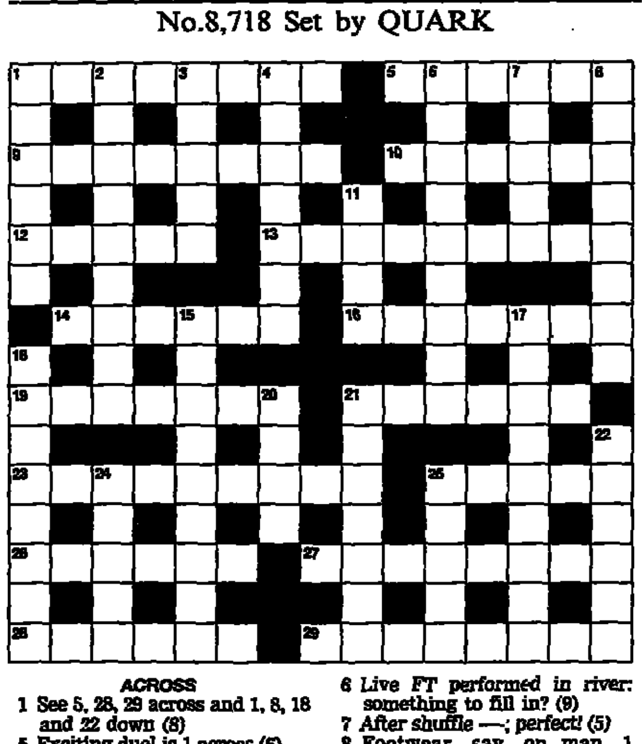
Gold (per troy oz)♣	$382.40	-0.50
Silver (per troy oz)♣	462.50c	-8.00
Platinum (per troy oz.)	$412.60	-6.05
Palladium (per troy oz.)	$165.65	-0.35
Copper (US prod.)	144.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.82m	+0.07
Tin (New York)	276.50c	+15.00
Cattle (live weight)†	121.73p	+1.04*
Sheep (live weight)†♠	130.70p	+3.74*
Pigs (live weight)†	92.88p	-0.10*
Lon. day sugar (raw)	$352.70	-4.40
Lon. day sugar (wte)	$379.00	-7.00
Tate & Lyle export	£337.00	-3.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	122.50p	
Rubber (May)♥	122.50p	
Rubber (KL RSS No1)	482.5m	+0.5
Coconut Oil (Phil)§	$620.0u	-2.5
Palm Oil (Malay.)§	$690.0z	-10.0
Copra (Phil)§	$396.0u	-10.0
Soyabeans (US)	£173.0y	
Cotton Outlook'A' index	111.20c	+0.45
Wooltops (64s Super)	522p	

[illegible]

JOTTER PAD

CROSSWORD

No.8,718 Set by QUARK



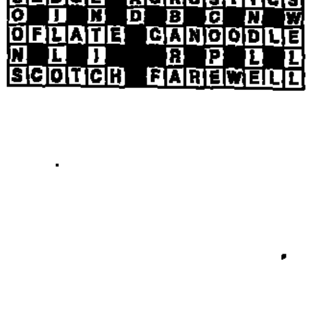
ACROSS

1 See 5, 28, 29 across and 1, 8, 18 and 22 down (8)
5 Exciting duel is 1 across (6)
9 Flier's home record in big dances (3-5)
10 He's English PC perhaps. Just talk? (6)
12 Children: the subject of debate (5)
13 Savings group to criticise one in suit? (5,4,)
14 Cold day to enjoy in retrospect (6)
16 The vessel's a sort of cutter (7)
19 Tot getting around mud (much appreciated!) (7)
21 Some fraudulent remorse is bound to be shaky (6)
23 Senior Common Room bible's needing revision. Poor writings (9)
25 Subtle atmosphere in a city in Italy (5)
26 Gee-gee in the river to cause fuss (6)
27 Sort of service by Scot not in the services (8)
28 It's all out 1 across (6)
29 Artist in reddish-brown 1 across (8)

DOWN

1 Food in 1 across (6)
2 Realm most confused, a disordered state (9)
3 Fantastic part of the accoutrements (5)
4 Film is often on show (7)
6 Live FT performed in river: something to fill in? (9)
7 After shuffle —; perfect! (5)
8 Footwear, say, on man, 1 across (6)
11 The resin clings round one non-professional (4)
15 Garb I laid out for soldier (9)
17 Making a suggestion in favour of asking a question (9)
18 Service and net restrict English 1 across (8)
20 Valley seen in model landscape (4)
21 Setter of questions gather one is more annoyed (7)
22 Bet about name 1 across (6)
24 Drink turns up befitting a king (5)
25 A kind of party one attends as an excuse (5)

Solution 8,717



INTERNATIONAL CAPITAL MARKETS

Treasuries shrug off jump in trade gap

By Lisa Bransten in New York

US Treasury prices held relatively steady yesterday morning, although many economists were surprised by the large size of January's trade deficit.

At midday, the benchmark 30-year Treasury was down $\frac{1}{32}$ at $101\frac{15}{16}$ to yield 7.451 per cent. At the short end of the market, the two-year note was unchanged at 100¼, yielding 6.714 per cent.

In January the trade deficit jumped to $12.2bn from $7.3bn in December. The figure was well above the median forecast of $8.5bn.

While nearly $1bn of the deficit was due to the deterioration in Mexican financial markets, which turned a $19m surplus in December into a $863m deficit, economists said yesterday that the figure foreshadowed bad things to come for the dollar and therefore possibly the bond market.

The trade balance with Japan declined slightly, but there was a sharp jump in the balance with Western Europe.

"For the dollar, it is an obvious negative, as it suggests that an already weak dollar is doing little to either curb imports or help exports," said Ms Marilyn Schaja of securities firm Donaldson, Lufkin & Jenrette.

Tuesday's market drew some support from a relatively stable dollar, which some said may have at last found its level after weeks of decline.

Yesterday, however, the US dollar continued its fall against the D-Mark and the Japanese yen, dropping to DM1.4055 and Y88.91 from DM1.4122 and Y89.20 late on Tuesday.

Mr Joseph Liro of S.G. Warburg said that if the trend indicated in January continued, it would imply a slowdown in economic growth, but he added that he did not expect that and thought the deficit would narrow sharply in coming months.

Also, he said the size of the deficit did not change his opinion that the Federal Reserve would refrain from raising interest rates at next Tuesday's meeting of the Fed's Open Market Committee.

■ A round of profit taking pushed prices in most European government bond markets lower in subdued volume.

GOVERNMENT BONDS

In a generally trendless trading environment, cross-border capital flows by investors remain few and far between.

"Domestic investors are driving their own markets," said Mr Julian Jessop, international economist with HSBC Markets. "There is not a lot of willingness to take positions across borders as long as the currency uncertainty persists."

Moreover, he said, political risk ahead of forthcoming elections in most European countries is making investors wary of neighbouring markets.

France is holding presidential polls in April and May, Italy is having regional elections on April 23, Spain has a regional and municipal vote on May 28, the UK will hold local elections in April and May, Belgium has scheduled general elections on May 21 and Germany will see state elections in North-Rhine Westphalia and Bremen.

■ German bunds erased some of their recent gains to close nearly ½ point lower. The June bund futures contract on Liffe fell 0.42 to 91.81.

Bunds largely ignored a greater-than-expected contraction in German M3 money supply growth for February, and dealers' attention was increasingly shifting to the release of March inflation data, expected in the next few days.

"We are looking for inflation in Germany to start edging up", which could dent residual hopes for another easing in German interest rates, said Mr Keith Edmonds, chief analyst at IBJ. "There's been a lot of optimism on German interest rates which is likely to get hit on the domestic data front in the next few weeks."

■ UK gilts also shed recent gains to end about ½ point lower. The June long gilt future on Liffe closed down $\frac{17}{32}$ at $102\frac{29}{32}$.

Although participants were relieved that the government survived Tuesday's vote on EU farm subsidies, they remained nervous ahead of today's release of February retail prices. The market is expecting an 0.4 per cent month-on-month rise in the headline inflation rate, for a year-on-year rate of 3.4 per cent.

■ Italian bonds shed nearly half Tuesday's gains amid continued political and currency uncertainty. The June BTP future on Liffe fell 0.65 to 93.10.

Demand for IDB deal underlines flight to quality

By Antonia Sharpe

The Inter-American Development Bank launched its widely-expected $500m eurobond offering to strong investor demand yesterday.

Syndicate managers involved in the transaction said the 10-year deal was sold before it went live and estimated that the offering was oversubscribed at least twice.

INTERNATIONAL BONDS

The strength of demand for the triple-A rated offering, the IDB's first this year, underlines the flight to quality which has taken place as a result of the volatility in financial markets. It also reflects a desire among investors for large and liquid deals, syndicate managers said.

The bonds were priced to yield 24 basis points over treasuries, in line with market expectations, and when they started trading the spread came in by half a point.

Around 60 per cent of the bonds were placed with European investors, with the remainder finding homes in Asia and Canada. Japanese investors held back due to the proximity of the end of their financial year.

Mr Saul Hanono, the head of the IDB's funding programme, said that the proceeds of the offering would be kept in fixed-rate dollars. The bank plans to raise about $3.5bn this year but the amount could rise to around $3.8bn if planned loans to Argentina and Mexico are approved.

Mr Hanono said the depreciation of the dollar and a decision by the IDB to make loans to the private sector meant that around 75 per cent of funding this year would be in dollars. However, the bank would be looking for arbitrage opportunities to keep a presence in the other currency sectors of the eurobond market. The IDB is also considering floating-rate issuance, he said.

Joint lead manager Goldman Sachs said the deal showed that there was life in the eurodollar market.

The IDB's successful transaction has fuelled speculation that OKB, Austria's export agency, will soon tap this sector of the eurobond market. Others being mentioned as possible issuers include the European Investment Bank and several Japanese government agencies.

Continuing demand for D-Mark-denominated bonds from investors in Switzerland and southern Europe prompted SüdWestLB to launch a DM500m four-year eurobond.

The spread of 7 basis points over the yield on German government medium-term notes was thought to be tight and the spread widened to around 8.5 basis points at the close.

However, joint lead manager SBC said an earlier, similar issue by SüdWestLB was now yielding 25 basis points below German government bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Inter-American Dev. Bank	500	7.5	99.534R	Apr.2005	0.325R	+24 (7¼%-05)	Deutsche Bk/Goldman
Banque Paribas(HK)‡	300	(a)	99.945R	Apr.1998	0.20R	-	Paribas Cap. Mkts.
D-MARKS							
SuedwestLB Cap. Mkts.(b)	500	6.5	99.68R	Apr.1999	0.225R	-	CSFB Effectenbk/SBC
GUILDERS							
Credit Local de France	250	7.25	99.90R	Apr.2002	0.30R	+24 (8¼%-02)	Rabobank Nederland

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. #Unlisted. §Convertible. ϕWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Pays 20bp + 3-month Dollar Libor. b) Long first coupon.

Australian SE to launch LEPOs on April 7

By Nikki Tait in Sydney

The Australian Stock Exchange is to launch its new "Low Exercise Price Options" contracts on April 7, and will make them available for 10 different blue chip shares.

LEPOs were designed to counter the Sydney Futures Exchange's innovative introduction of futures contracts covering individual shares.

At present, this type of derivatives market is unique to Australia – in the US, for example, individual share futures are specifically barred – and the two exchanges have been battling over who should control it.

This has led to long legal proceedings to determine whether LEPOs – the rival product put forward by the ASX and which should behave in similar fashion to a share future – could count as securities and thus qualify for trading on the ASX. Earlier this month, an appeal court turned down the SFE's arguements.

The new contracts are essentially deep in the money call options, with an exercise price of one cent. They will be available for 10 stocks – ANZ, BHP, BTR Nylex, CRA, Fosters Brewing, MIM, National Australia Bank, News Corporation, Westpac, and Western Mining Corporation.

● A China "vulture fund" is joining a lengthening list of Chinese-related companies raising money on the Australian stock exchange.

The AusChina Corp plans to raise A$5.9m through the issue of 29.5m shares at an issue price of 20 cents.

It plans to invest in "counter-cyclical investment opportunities in China and the Pacific Rim and hopes to have 50 per cent of its initial A$8m of investment funds invested within six months.

A sigh of relief from Boca Raton

By Laurie Morse in Chicago

The mood in Boca Raton Florida last week was one of self-congratulation and relief, as the international exchange-traded derivatives community held its semi-annual meeting.

The programme was cleared at the last minute to allow the congregation to dissect the effect the Barings crisis had had on their business.

Although somewhat concerned that Mr Nick Leeson's futures escapades had given the industry a bad name and landed the listed markets in the same dung-heap as over-the-counter derivatives, the main thrust of the discussions was far more self-interested.

DERIVATIVE INSTRUMENTS

Barings, as has been widely reported, had marketed its futures services in the Far East so effectively that 16 top US futures brokerage firms were clients at the time the investment bank went down.

Some of the Futures Industry Association's top officers found their shirt-tails caught in the spokes as Barings tumbled, and most had realised by last week that nothing short of ING's full assumption of Baring's obligations could have saved their reputations.

Without ING's intervention, what would have happened to client funds mingled with Baring accounts in Japan? "I don't want to discuss that," said one executive, "We don't deal in what-if scenarios."

In fact, the end-users of exchange-traded derivatives, or at least their brokerage firms, should have been prepared for the Barings crisis.

None of the futures exchanges in Japan made any secret of the fact that clearing firms there are allowed to co-mingle customer and house funds, and that margins are collected only after house positions are netted against customer positions.

In Singapore, where customer funds are segregated, and margins are calculated on gross positions, the benefit of segregation can be lost if customers, as was the case with Barings, trade through a parent (Baring London) that then delivers positions to the exchange through a subsidiary.

If the affected firms had bothered to run a "what-if" scenario, or simply acquainted themselves with the rules of the exchanges they were delivering customer business to, they would have discovered that prying client funds out of a bankruptcy situation is difficult in a number of regulatory jurisdictions. They were as exposed to credit risks in these places as their over-the-counter associates.

"Barings exploded the myth that we are immune to systemic risk," said Mr Leo Melamed, chairman of Sakura Dellsher and chairman emeritus of the Chicago Mercantile Exchange. "In this instance co-ordination of cross-border regulation was not sufficient."

Futures regulators in the US and in London have already undertaken a project aimed at levelling the regulatory playing field for futures dealing worldwide. The FIA is also planning to recommend minimum standards for protecting customer funds globally.

Global rule standardisation is important because derivatives end-users choose their markets by product and for liquidity, not by regulatory environment. To trade Nikkei 225 futures effectively, for example, it must be done in the Asian time zone.

The business incentives for engaging in derivatives trading apparently outweigh the potential risks. Simex, for example, has seen no drop in business, despite negative publicity from the Barings case.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.2500	−0.620	10.30	9.95	10.16
Austria		7.500	01/05	100.3800	−0.190	7.44	7.55	7.64
Belgium		7.750	10/04	97.8900	−0.240	8.06	8.17	8.25
Canada *		9.000	12/04	101.4000	−0.650	8.78	8.59	9.07
Denmark		7.000	12/04	87.7000	−0.070	8.94	9.03	8.87
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	96.9200	−0.420	7.94	8.05	7.97
Germany Bund		7.375	01/05	101.2300	−0.340	7.19	7.29	7.41
Ireland		6.250	10/04	82.7000	−0.300	8.81†	8.81	8.79
Italy		9.500	01/05	80.5700	+0.310	13.07	13.22	11.84
Japan	No 119	4.800	06/99	106.2660	+0.080	3.19	3.47	3.93
	No 174	4.600	09/04	104.9540	+0.540	3.89	4.07	4.68
Netherlands		7.750	03/05	102.6800	−0.320	7.36	7.46	7.55
Portugal		11.875	02/05	98.8500	−0.450	12.07	11.93	11.65
Spain		10.000	02/05	88.4400	−0.510	12.43	12.34	11.51
Sweden		6.000	02/05	69.1540	−0.580	11.35	11.26	10.66
UK Gilts		6.000	08/99	91−14	−6/32	8.38	8.42	8.52
		8.500	12/05	100−03	−17/32	8.49	8.50	8.60
		9.000	10/08	104−04	−17/32	8.48	8.51	8.58
US Treasury *		7.500	02/05	102−04	−17/32	7.19	7.14	7.62
		7.625	02/25	101−30	−29/32	7.46	7.39	7.73
ECU (French Govt)		8.000	04/04	84.9500	−0.130	8.44	8.53	8.40

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.95	Two year	6.73
Prime rate	9	Two month	5.88	Three year	6.85
Broker loan rate	6½	Three month	5.92	Five year	7.04
Fed.funds	6	Six month	6.17	10-year	7.19
Fed.funds at intervention	-	One year	6.38	30-year	7.46

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.62	112.32	-0.36	112.66	112.26	131,596	123,319
Sep	112.28	111.96	-0.36	112.28	112.10	183	5,717
Dec	112.18	111.86	-0.36	112.18	112.18	2	1,539

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
110	-	-	-	0.05	0.45	1.11
111	1.46	2.06	-	0.12	0.70	1.36
112	0.64	1.38	-	0.32	0.98	-
113	0.17	0.83	1.28	0.86	1.51	-
114	0.04	0.48	-	-	-	-

Est. vol. total, Calls 11,210 Puts 22,040 . Previous day's open int., Calls 157,465 Puts 209,528.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.01	91.81	-0.42	92.15	91.76	118639	185607
Sep	91.50	91.31	-0.42	91.50	91.50	135	2156

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
9150	0.39	0.76	1.02	1.15	0.08	0.45	0.71	1.34
9200	0.10	0.50	0.76	0.92	0.29	0.69	0.95	1.61
9250	0.03	0.31	0.55	0.72	0.72	1.00	1.24	1.91

Est. vol. total, Calls 10660 Puts 8619. Previous day's open int., Calls 190527 Puts 146797

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.70	93.10	-0.65	93.79	92.99	38237	52212
Sep		92.40	-0.65			0	37

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9300	1.95	2.62	1.85	3.22
9350	1.70	2.40	2.10	3.50
9400	1.46	2.19	2.36	3.79

Est. vol. total, Calls 2899 Puts 1322. Previous day's open int., Calls 38517 Puts 26648

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	81.29	80.81	-0.50	81.34	80.78	44,205	42,625

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103-05	102-23	-0-17	103-05	103-05	1	12680
Jun	103-12	102-29	-0-17	103-14	102-23	47213	88274

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
102	0-63	1-33	1-57	2-26	0-05	0-39	0-63	1-46
103	0-17	0-59	1-21	1-57	0-23	1-01	1-27	2-13
104	0-04	0-32	0-56	1-30	1-10	1-38	1-62	2-50

Est. vol. total, Calls 3189 Puts 6177. Previous day's open int., Calls 36811 Puts 50004

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.28	82.08	-0.20	82.32	82.04	1,642	7,703

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	104-04	104-00	-0-04	104-04	103-26	7,140	17,753
Jun	103-19	103-14	-0-04	103-19	103-07	375,480	334,935
Sep	103-00	103-01	-0-04	103-02	102-26	1,375	15,975

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	112.76			112.98	112.70	2464	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Mar 22	Day's change %	Tue Mar 21	Accrued interest	xd adj. ytd		Low coupon yield Mar 22	Mar 21	Yr. ago	Medium coupon yield Mar 22	Mar 21	Yr. ago	High coupon yield Mar 22	Mar 21	Yr. ago
1 Up to 5 years (24)	119.53	−0.03	119.56	1.69	2.65	5 yrs	8.42	8.39	6.76	8.47	8.42	6.99	8.60	8.56	7.13
2 5-15 years (21)	140.38	−0.36	140.88	1.89	3.18	15 yrs	8.40	8.33	7.48	8.50	8.43	7.59	8.71	8.65	7.88
3 Over 15 years (9)	156.80	−0.56	157.67	1.40	4.05	20 yrs	8.37	8.30	7.59	8.50	8.43	7.60	8.64	8.58	7.86
4 Irredeemables (6)	180.89	−0.59	181.96	3.03	1.47	Irred.†	8.41	8.36	7.67						
5 All stocks (60)	137.28	−0.28	137.67	1.77	3.13										

Index-linked							Inflation 5% Mar 22	Mar 21	Yr. ago	Inflation 10% Mar 22	Mar 21	Yr. ago
6 Up to 5 years (2)	189.48	+0.01	189.45	−0.16	2.57	Up to 5 yrs	3.54	3.54	2.82	2.29	2.28	1.86
7 Over 5 years (11)	175.48	−0.13	175.71	0.65	1.28	Over 5 yrs	3.88	3.85	3.40	3.69	3.67	3.21
8 All stocks (13)	176.03	−0.12	176.23	0.58	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 22	Mar 21	Mar 20	Mar 17	Mar 16	Yr ago	High*	Low*
Govt. Secs. (UK)	91.69	92.01	91.88	91.86	92.01	98.82	107.04	89.54
Fixed Interest	110.57	110.58	110.29	110.39	110.23	119.94	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 21	Mar 20	Mar 17	Mar 16	Mar 15
Gilt Edged bargains	118.0	96.5	95.2	87.9	133.1
5-day average	106.2	99.2	100.6	111.9	135.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92⅛	92⅞	-⅛	7.84
Alberta Province 7⅝ 98	1000	100⅞	101⅛	-⅛	7.32
Austria 8½ 00	400	104⅝	104⅞	-⅛	7.32
Baden-Wuertt L-Finance 8⅛ 00	1000	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 7¼ 97	5500	102¼	102½		6.14
Volkswagen Intl Fin 7 03	1000	96⅛	96¾		7.65
World Bank 0 15	2000	21⅞	22⅜	-⅛	7.60
World Bank 5⅞ 03	3000	90¾	90⅞	-⅛	7.35
World Bank 8¾ 00	1250	110⅜	110⅝	+⅛	8.29
Abbey Natl Treasury 8 03 £	1000	93⅛	93⅜	-¼	9.25
Alliance Leics 11⅜ 97 £	100	105¼	105⅝	-⅛	8.54
British Land 8⅞ 23 £	150	89⅝	90⅛	-⅛	10.29
Denmark 6¾ 98 £	800	94½	94¾	-⅛	8.65
EIB 8 03 £	1000	94⅝	94¼	-⅛	8.94
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Remaining FT/ISMA listings (swiss franc, yen, other straights, Deutsche Mark straights, floating rate notes, convertible bonds): [illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)						
Exch 3pc Gas 1990-95	3.01	5.99	99⅝	—	103¼	97¼
10¼pc 1995	10.12	6.39	101	—	107	101
Treas 12¾pc 1995‡‡	12.29	6.67	103¾	—	113	103¾
14pc 1996	13.25	6.89	105	—	117	105
15¼pc 1996‡‡	14.04	7.10	108⅝	—	121	108
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Remaining UK gilts listings (Five to Fifteen Years, Over Fifteen Years, Undated, Index-Linked, Other Fixed Interest): [illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

Market reacts calmly to poor US trade figures

Continued profit-taking by holders of D-Marks yesterday helped the dollar weather a weak set of February trade figures, *writes Philip Gawith.*

Although the dollar was at the bottom end of its trading range by the London close, the sharp sell-off that had been expected on a poor trade figure did not materialise.

The dollar was also helped by the good German M3 number for February, which reduced the prospect of German interest rates rising soon.

The D-Mark rallied in the afternoon to finish higher against most currencies. In Europe it closed at L1,219 against the lira, from L1,205, and at Pta92.16, from Pta91.80, against the peseta.

The dollar traded in a fairly narrow range before closing at DM1.4061, from DM1.4125, and at Y88.9, from Y89.25.

Sterling continued its steady recovery from recent lows, with the trade weighted index closing at 85.1, up from 84.8. It was barely changed at DM2.2321 from DM2.2328.

Elsewhere, the Mexican peso suffered a further reversal, finishing at 7.335 pesos against the dollar from 7.06 pesos. The unified South African rand firmed to R3.6138 against the dollar from R3.6278.

■ The concerted campaign of verbal intervention in support of the dollar died down yesterday, allowing markets to focus instead on the German M3 figures, and the US trade data.

According to Ms Alison Cottrell, analyst at Kidder Peabody in London, the significance of low February M3 growth – it grew by an annualised 3.7 per cent, from 4 per cent, against a Q4 1993 base – lies in the options it provides the Bundesbank. "If it needs to do something about currencies, it has positioned its alibi," said Ms Cottrell.

She said the Bundesbank was likely to be particularly concerned about any further weakness in the French franc in the run-up to next month's presidential elections. "What the M3 number says is that if the franc has problems, the market is on stronger ground to say Germany will come in and do something on its rates."

Ms Cottrell said the Bundesbank might prefer to act pre-emptively, by easing the repo rate, rather than trying to fight the market through intervention.

■ Another currency rumoured to be worrying the Bundesbank is the lira. As with Mexico having a contagion effect on the US, so a collapse in the lira, spreading into the bond market and the economy, could destabilise Europe, with Italian demand falling, and its exports becoming increasingly competitive.

Any Bundesbank style rescue, however, looks much less likely than with France. The situation is too volatile, and the chances of success too low, to make it likely.

The lira had quite a good run yesterday, moving as high as L1,196, before weakening to its London close. Mr Giorgio Radaelli, international economist at Lehman Brothers in London, said the earlier rally in the lira appeared to have been bolstered by surreptitious Bank of Italy intervention.

"They hoped to emphasise the appreciation of the lira and to start a new trend," said Mr Radaelli.

He said: "The later elections are held, the better that is for Lira assets and the exchange rate." Mr Radaelli's reasoning is that a delay will make it easier for left-wing politicians to support serious pensions reform, without fearing "electoral retribution".

"As long as elections are close, it would be rational of the market to assume the survival of this government is in question."

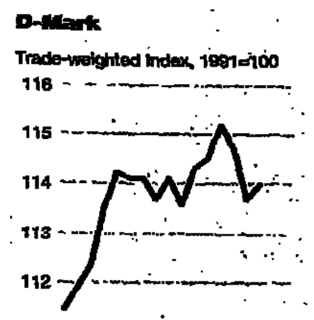
The sharp fall in the lira has potentially serious inflationary consequences. Even on a trade weighted basis, Mr Radaelli says it has lost about 10 per cent over the past two quarters. If this fall is not reversed soon, he believes medium term inflation expectations will have to be increased by at least 1.5 percentage points.

Such an upward revision would have serious implications for the value of Italian bonds. Any resultant outflow of funds would only exert further pressure on the lira. Although the Italian bond market has a comparatively low exposure to foreign investors, Mr Radaelli says domestic investors were clearly sellers of the lira from around L1,120 and downwards.

■ In its daily operations the Bank of England cleared a £750m shortage at established rates. Three month LIBOR eased further to 6⅝ per cent.

D-Mark

Trade-weighted index, 1991=100



Source: Bank of England

■ Pound in New York

Mar 22	Latest	Prev. close
£ spot	1.5860	1.5855
1 mth	1.5857	1.5853
3 mth	1.5846	1.5842
1 yr	1.5734	1.5732

■ OTHER CURRENCIES

Mar 22	£	$
Hungary	187.436 - 187.634	118.070 - 118.120
Iran	2776.72 - 2778.13	1748.00 - 1750.00
Kuwait	0.4728 - 0.4732	0.2977 - 0.2979
Poland	3.7632 - 3.7679	2.3705 - 2.3720
Russia	7704.28 - 7704.15	4850.00 - 4853.00
U.A.E.	5.8298 - 5.8346	3.6723 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7155	+0.005	072 - 238	15.8167	15.6897	15.7031	1.0	15.6693	1.2	-	-	108.0
Belgium	(BFr)	46.1473	+0.0909	248 - 698	46.3300	46.0610	46.1473	0.0	46.1323	0.1	45.7373	0.9	110.3
Denmark	(DKr)	8.9282	-0.0125	210 - 313	8.9817	8.9142	8.9362	-1.3	8.9495	-1.0	8.901	0.3	108.7
Finland	(FM)	6.9626	+0.0081	526 - 727	7.0130	6.9500	-	-	-	-	-	-	86.7
France	(FFr)	7.9170	+0.0154	121 - 218	7.9356	7.8969	7.9303	-2.0	7.9483	-1.6	7.918	0.0	108.3
Germany	(DM)	2.2328	+0.0007	317 - 339	2.2483	2.2308	2.2303	1.4	2.2242	1.5	2.188	2.0	114.0
Greece	(Dr)	365.192	-0.636	996 - 387	368.028	364.998	-	-	-	-	-	-	68.8
Ireland	(I£)	0.9995	-0.0015	984 - 006	1.0018	0.9984	0.9989	0.8	0.9982	0.5	0.9997	0.0	96.0
Italy	(L)	2721.83	+31.69	780 - 587	2732.05	2676.14	2734.53	-5.6	2758.03	-5.3	2845.38	-4.5	65.1
Luxembourg	(LFr)	46.1473	+0.0909	248 - 698	46.3300	46.0610	46.1623	-0.4	46.1273	0.2	45.8173	0.7	110.3
Netherlands	(Fl)	2.5019	+0.001	003 - 035	2.5219	2.5003	2.4993	1.2	2.4926	1.5	2.4541	1.9	110.6
Norway	(NKr)	9.9623	+0.0122	568 - 678	10.0389	9.8834	9.953	1.1	9.9371	1.0	9.8333	1.3	100.0
Portugal	(Es)	234.865	+0.04	712 - 019	236.761	234.712	235.66	-4.1	237.37	-4.3	-	-	97.5
Spain	(Pta)	205.726	+0.767	581 - 870	206.003	204.850	206.356	-3.7	207.456	-3.4	212.081	-3.1	77.3
Sweden	(SKr)	11.5807	+0.0756	694 - 919	11.6130	11.4480	11.5826	-0.2	11.5867	-0.2	11.5984	-0.2	78.6
Switzerland	(SFr)	1.8524	+0.0003	510 - 538	1.8701	1.8510	1.848	2.9	1.8391	2.9	1.7904	3.3	114.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.1
Ecu	-	1.2281	+0.0037	272 - 289	1.2301	1.2252	1.2289	-0.8	1.2298	-0.6	1.2245	0.3	-
SDR†	-	1.02540	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5881	+0.0077	875 - 887	1.5891	1.5819	-	-	-	-	-	-	-
Brazil	(R$)	1.4348	+0.0157	319 - 376	1.4376	1.4246	-	-	-	-	-	-	-
Canada	(C$)	2.2284	+0.0046	273 - 295	2.2295	2.2194	2.2319	-1.9	2.2372	-1.6	2.2385	-0.5	80.9
Mexico	(New Peso)	11.6480	+0.4914	570 - 390	11.7390	11.2116	-	-	-	-	-	-	-
USA	($)	1.5880	+0.0077	875 - 885	1.5891	1.5817	1.5878	0.2	1.5867	0.3	1.5756	0.8	90.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1887	+0.0131	872 - 901	2.1914	2.1872	2.1916	-1.6	2.1975	-1.6	2.2212	-1.5	80.2
Hong Kong	(HK$)	12.2769	+0.0596	722 - 816	12.2850	12.2300	12.2765	0.0	12.2772	0.0	12.2705	0.1	-
India	(Rs)	50.1014	+0.3235	618 - 410	50.1410	49.9030	-	-	-	-	-	-	-
Israel	(Shk)	4.7075	+0.0233	019 - 131	4.7131	4.6901	-	-	-	-	-	-	-
Japan	(Y)	141.173	+0.136	049 - 297	141.820	140.049	140.683	4.2	139.588	4.5	133.878	5.3	182.4
Malaysia	(M$)	4.0488	+0.0189	465 - 507	4.0531	4.0354	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4550	+0.0093	529 - 571	2.4575	2.4529	2.4611	-3.0	2.4715	-2.7	2.4916	-1.5	96.6
Philippines	(Peso)	41.0022	+0.3897	099 - 945	40.9186	40.9511	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9560	+0.0294	538 - 581	5.9601	5.9331	-	-	-	-	-	-	-
Singapore	(S$)	2.2494	+0.0158	479 - 508	2.2509	2.2419	-	-	-	-	-	-	-
South Africa	(R)	5.7386	+0.0058	348 - 424	5.7744	5.7218	-	-	-	-	-	-	-
South Korea	(Won)	1218.63	-2.03	809 - 917	1227.34	1213.95	-	-	-	-	-	-	-
Taiwan	(T$)	41.3210	+0.2471	012 - 407	41.3428	41.1637	-	-	-	-	-	-	-
Thailand	(Bt)	39.2554	+0.1916	271 - 836	39.2836	39.1030	-	-	-	-	-	-	-

†SDR rates per £ for Mar 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8984	-0.0454	943 - 985	9.9695	9.8943	9.8864	1.2	9.8659	1.2	9.7954	1.0	107.7
Belgium	(BFr)	29.0600	-0.085	550 - 650	29.2100	29.0120	29.065	-0.2	29.075	-0.2	29.03	0.1	109.7
Denmark	(DKr)	5.6210	-0.0355	195 - 225	5.6568	5.6160	5.628	-1.5	5.6405	-1.4	5.676	-1.0	207.0
Finland	(FM)	4.3845	-0.0164	795 - 895	4.4187	4.3773	4.3865	-0.5	4.3865	-0.2	4.3945	-0.2	85.5
France	(FFr)	4.9855	-0.0147	840 - 870	5.0005	4.9735	4.9946	-2.2	5.0095	-1.9	5.0255	-0.8	208.5
Germany	(DM)	1.4061	-0.0064	058 - 063	1.4167	1.4048	1.4047	1.2	1.4019	1.2	1.3891	1.2	112.6
Greece	(Dr)	229.970	-1.53	920 - 020	231.750	229.840	232.47	-13.0	236.72	-11.7	254.47	-10.7	67.5
Ireland	(I£)	1.5888	+0.0103	875 - 900	1.5900	1.5815	1.5897	-0.6	1.5921	-0.8	1.602	-0.8	-
Italy	(L)	1714.00	+11.85	200 - 600	1720.50	1687.35	1720.75	-4.7	1736	-5.1	1798	-4.9	65.6
Luxembourg	(LFr)	29.0600	-0.085	550 - 650	29.2100	29.0120	29.065	-0.2	29.075	-0.2	29.03	0.1	208.7
Netherlands	(Fl)	1.5755	-0.0071	750 - 760	1.5883	1.5749	1.574	1.1	1.571	1.1	1.5575	1.1	109.5
Norway	(NKr)	6.2735	-0.023	720 - 750	6.3267	6.2289	6.267	1.2	6.2585	1.0	6.234	0.6	98.5
Portugal	(Es)	147.900	-0.7	850 - 950	149.000	147.850	148.46	-4.5	149.67	-4.8	154.65	-4.6	96.8
Spain	(Pta)	129.550	-0.15	500 - 600	129.890	129.080	129.97	-3.9	130.76	-3.7	134.725	-4.0	76.6
Sweden	(SKr)	7.2926	+0.012	878 - 974	7.3133	7.2059	7.3064	-2.3	7.3361	-2.4	7.4641	-2.6	78.6
Switzerland	(SFr)	1.1665	-0.0055	660 - 670	1.1790	1.1660	1.164	2.6	1.1592	2.5	1.1373	2.5	112.8
UK	(£)	1.5880	+0.0077	875 - 885	1.5891	1.5817	1.5878	0.2	1.5867	0.3	1.5756	0.8	84.5
Ecu	-	1.2931	+0.0024	926 - 936	1.2952	1.2892	1.2923	0.7	1.2909	0.7	1.2878	0.4	-
SDR†	-	0.64770	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	0.9035	+0.0055	020 - 050	0.9050	0.8990	-	-	-	-	-	-	-
Canada	(C$)	1.4033	-0.004	030 - 035	1.4035	1.3997	1.4058	-2.1	1.4102	-2.0	1.4221	-1.3	79.9
Mexico	(New Peso)	7.3350	+0.275	800 - 900	7.3900	7.2900	7.3373	-0.4	7.3404	-0.3	7.3453	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	92.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3782	+0.0015	778 - 787	1.3840	1.3778	1.38	-1.6	1.3848	-1.9	1.4094	-2.3	81.5
Hong Kong	(HK$)	7.7310	-0.0003	305 - 315	7.7320	7.7305	7.7298	0.2	7.734	-0.2	7.7695	-0.5	-
India	(Rs)	31.5500	+0.05	350 - 650	31.5900	31.5200	31.83	-3.0	31.875	-4.1	-	-	-
Israel	(Shk)	2.9644	+0.0002	618 - 670	2.9713	2.9567	-	-	-	-	-	-	-
Japan	(Y)	88.9000	-0.35	500 - 500	89.3500	88.7800	88.6	4.0	87.98	4.1	84.905	4.5	162.6
Malaysia	(M$)	2.5495	-0.0005	490 - 500	2.5517	2.5490	2.5475	0.9	2.5451	0.7	2.5395	0.4	-
New Zealand	(NZ$)	1.5458	-0.0017	451 - 468	1.5519	1.5451	1.5496	-2.9	1.5576	-3.1	1.5809	-2.3	-
Philippines	(Peso)	25.8200	+0.12	700 - 700	25.8700	25.7700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0002	504 - 508	3.7508	3.7504	3.7515	-0.3	3.7536	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.4165	+0.003	160 - 170	1.4170	1.4143	1.4113	4.4	1.403	3.8	1.3765	2.8	-
South Africa	(R)	3.6138	-0.014	125 - 150	3.6420	3.6105	3.6318	-6.0	3.6691	-6.1	3.863	-6.9	-
South Korea	(Won)	767.400	-5.05	300 - 500	771.100	765.800	770.4	-4.7	773.9	-3.4	792.4	-3.3	-
Taiwan	(T$)	26.0206	+0.0288	165 - 250	26.0250	25.9875	26.0408	-0.9	26.0808	-0.9	-	-	-
Thailand	(Bt)	24.7200	-	100 - 300	24.7300	24.7100	24.741	-1.0	24.7675	-0.8	24.855	-0.5	-

†SDR rate per $ for Mar 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 21. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	6⅛	6⅛	6½	6⅝	7.40	4.50	-
week ago	6½	6⅛	6¼	6⅜	6⅝	7.40	4.50	-
France	7⅝	8⅛	8⅛	8	7⅝	5.00	-	8.00
week ago	7⅝	8⅛	8⅛	8¼	7⅝	5.00	-	8.00
Germany	4.85	4.83	5.00	5.15	5.43	6.00	4.50	4.85
week ago	4.90	4.93	5.05	5.15	5.53	6.00	4.50	4.85
Ireland	6⅝	6⅞	7	7⅛	7⅝	-	-	6.25
week ago	5⅝	6⅞	7	7⅛	7⅝	-	-	6.25
Italy	10⅝	10⅝	11⅛	11⅝	12	-	7.50	10.40
week ago	9⅝	10⅝	10⅝	11¼	11⅝	-	7.50	10.25
Netherlands	4.97	5.02	5.10	5.25	5.58	-	5.25	-
week ago	4.90	5.02	5.12	5.30	5.69	-	5.25	-
Switzerland	3⅝	3⅜	3⅝	3⅞	4⅛	6.625	3.50	-
week ago	3⅛	3⅜	3⅜	3⅞	4⅛	6.625	3.50	-
US	5⅝	6⅛	6⅛	6⅜	6⅝	-	5.25	-
week ago	5⅝	6⅛	6⅛	6⅜	6⅝	-	5.25	-
Japan	2⅜	2⅛	2¼	2¼	2⅜	-	1.75	-
week ago	2⅜	2⅛	2¼	2¼	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅛	6⅜	-	-	-
week ago	-	6⅛	6¼	6⅛	6⅜	-	-	-
US Dollar CDs	-	5.82	6.03	6.21	6.55	-	-	-
week ago	-	5.82	6.04	6.24	6.58	-	-	-
SDR Linked Ds	-	4⅝	4⅞	5⅛	5⅛	-	-	-
week ago	-	4⅝	4⅞	4⅞	4⅝	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅝; 3 mths: 6⅝; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 - 5⅞	6⅛ - 6	6 5/16 - 6 3/16	6 7/16 - 6 5/16	6½ - 6⅜	6⅝ - 6½
Danish Krone	7 - 6½	7⅜ - 7	7 7/16 - 7⅜	7 11/16 - 7 7/16	7⅞ - 7½	7 15/16 - 7 9/16
D-Mark	4 15/16 - 4 13/16	4⅞ - 4¾	4 15/16 - 4 13/16	5 - 4⅞	5⅛ - 5	5 7/16 - 5 5/16
Dutch Guilder	5 - 4 15/16	5⅛ - 4⅞	5¼ - 4¾	5¼ - 5	5½ - 5	5 13/16 - 5⅝
French Franc	8 - 7¾	8¼ - 8	8¼ - 8	8¼ - 8	8⅛ - 7⅞	7⅞ - 7⅝
Portuguese Esc.	11 - 10½	11 - 10½	11¼ - 10¾	11¼ - 10⅞	11½ - 11	12 - 11½
Spanish Peseta	8¾ - 8⅝	9 1/16 - 8 15/16	9½ - 9⅜	9⅞ - 9¾	10 3/16 - 10 1/16	10⅞ - 10¾
Sterling	6½ - 6¼	6 - 5⅞	6¼ - 6⅛	6⅝ - 6½	7⅛ - 7	7 11/16 - 7 9/16
Swiss Franc	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3⅞ - 3¾	4⅛ - 4
Can. Dollar	8¼ - 8 1/16	8⅛ - 7 15/16	8⅛ - 8	8⅛ - 8	8⅛ - 8	8¼ - 8
US Dollar	6 - 5⅞	6 - 5⅞	6 1/16 - 5 15/16	6¼ - 6⅛	6 7/16 - 6 5/16	6¾ - 6⅝
Italian Lira	10½ - 9	10⅜ - 10⅛	10⅝ - 10½	11⅛ - 11	11⅝ - 11½	12 - 11⅞
Yen	2¼ - 2⅛	2¼ - 2⅛	2¼ - 2⅛	2 5/32 - 2 3/32	2 1/16 - 2	2 1/16 - 2
Asian $Sing	½ - ¼	1⅛ - 1	1 15/16 - 1 13/16	2¼ - 2⅛	2¾ - 2⅝	3¼ - 3⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.33	92.31	+0.05	92.44	92.30	42,215	60,706
Sep	93.11	93.07	-	93.20	93.07	10,032	33,987
Dec	93.26	93.21	-0.05	93.34	93.20	6,505	21,145
Mar	93.18	93.08	-0.09	93.21	93.08	2,075	17,305

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.52	93.51	-0.03	93.52	93.52	5	570
Sep	93.28	93.27	-0.05	93.28	93.28	5	384
Dec		93.06	-0.06			0	270
Mar		93.06	-0.06			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.88	94.89	-	94.90	94.85	25617	207319
Sep	94.60	94.62	-	94.63	94.59	28209	165569
Dec	94.27	94.31	0.02	94.32	94.26	31740	119743
Mar	93.95	93.99	0.02	94.00	93.94	5610	66153

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.22	88.09	-0.13	88.45	88.02	13954	39393
Sep	88.40	88.29	-0.10	88.55	88.20	4083	25809
Dec	88.60	88.37	-0.13	88.61	88.30	1152	13898
Mar	88.50	88.37	-0.08	88.51	88.37	805	8052

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.18	96.17	-0.02	96.19	96.13	1398	23912
Sep	95.97	95.98	-	95.98	95.96	260	7592
Dec	95.71	95.72	-	95.73	95.71	258	6155
Mar	95.53	95.54	-	95.55	95.53	170	565

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.03	92.99	-0.02	93.08	92.99	2978	9790
Sep	93.04	92.98	-0.01	93.07	92.98	758	4467
Dec	92.82	92.79	-	92.86	92.75	633	2626
Mar	92.49	92.49	-	92.53	92.46	84	1988

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.34	17.15	4.836	2.165	5896	5.421	21.59	508.8	445.7	25.09	4.013	2.167	4.828	3.441	305.0	2.661
Denmark	(DKr)	51.70	10	8.870	2.501	1.119	3048	2.803	11.16	263.1	230.5	12.97	2.075	1.120	2.496	1.779	158.2	1.376
France	(FFr)	58.29	11.27	10	2.819	1.262	3437	3.160	12.58	296.6	259.8	14.63	2.339	1.263	2.814	2.006	178.4	1.551
Germany	(DM)	20.68	3.998	3.547	1	0.448	1219	1.121	4.463	105.2	92.16	5.188	0.830	0.448	0.998	0.711	63.26	0.550
Ireland	(I£)	46.20	8.935	7.925	2.234	1	2724	2.505	9.972	235.0	205.9	11.59	1.854	1.001	2.230	1.590	141.3	1.229
Italy	(L)	1.696	0.328	0.291	0.082	0.037	100.	0.092	0.366	8.629	7.560	0.426	0.068	0.037	0.082	0.058	5.189	0.045
Netherlands	(Fl)	18.45	3.568	3.164	0.892	0.399	1088	1	3.982	93.84	82.21	4.628	0.740	0.400	0.890	0.635	56.43	0.491
Norway	(NKr)	46.33	8.960	7.947	2.241	1.003	2731	2.512	10	235.7	206.5	11.62	1.859	1.004	2.236	1.594	141.7	1.233
Portugal	(Es)	19.66	3.802	3.372	0.951	0.425	1159	1.066	4.243	100.	87.61	4.932	0.789	0.426	0.949	0.676	60.14	0.523
Spain	(Pta)	22.44	4.339	3.849	1.085	0.486	1323	1.216	4.843	114.1	100.	5.630	0.900	0.486	1.083	0.772	68.64	0.597
Sweden	(SKr)	39.85	7.708	6.837	1.927	0.863	2350	2.161	8.603	202.8	177.6	10	1.599	0.864	1.924	1.371	121.9	1.060
Switzerland	(SFr)	24.92	4.820	4.275	1.205	0.539	1469	1.351	5.379	126.8	111.1	6.253	1	0.540	1.203	0.857	76.24	0.663
UK	(£)	46.15	8.926	7.917	2.232	0.999	2721	2.502	9.962	234.8	205.7	11.58	1.852	1	2.228	1.588	141.2	1.228
Canada	(C$)	20.71	4.006	3.553	1.002	0.448	1221	1.123	4.471	105.4	92.32	5.197	0.831	0.449	1	0.713	63.38	0.551
US	($)	29.06	5.621	4.986	1.406	0.629	1713	1.576	6.273	147.9	129.5	7.292	1.166	0.630	1.403	1	88.92	0.773
Japan	(Y)	32.68	6.322	5.607	1.581	0.708	1927	1.772	7.055	166.3	145.7	8.201	1.312	0.708	1.578	1.125	100.	0.870
Ecu		37.58	7.269	6.447	1.818	0.814	2216	2.037	8.112	191.2	167.5	9.430	1.508	0.814	1.814	1.293	115.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7106	0.7103	-0.0004	0.7133	0.7080	32,071	54,646
Sep	0.7150	0.7135	+0.0024	0.7155	0.7120	210	1,907
Dec	0.7150	0.7155	-0.0004	0.1770	0.7150	54	348

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1326	1.1330	-0.0006	1.1380	1.1300	26,495	56,433
Sep	1.1470	1.1470	-0.0013	1.1503	1.1450	26	2,288
Dec	1.1635	1.1590	-0.0002	1.1635	1.1590	10	388

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8580	0.8583	-0.0001	0.8626	0.8540	19,531	26,314
Sep	0.8642	0.8643	+0.0003	0.8674	0.8625	155	2,292
Dec	-	0.8710	-	0.8720	-	1	131

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5840	1.5846	-0.0010	1.5880	1.5800	6,151	20,713
Sep	-	1.5840	-	1.5870	1.5800	12	152
Dec	-	1.5800	-	[illegible]	[illegible]	[illegible]	11

UK INTEREST RATES

LONDON MONEY RATES

Mar 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

Certs of Tax dep. (£100,000) [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.56	92.54	-0.02	92.60	92.51	21760	101218
Sep	92.23	92.17	-0.06	92.27	92.18	18032	61229
Dec	91.95	91.88	-0.06	91.97	91.87	9720	59808
Mar	91.69	91.62	-0.06	91.70	91.61	2586	40091

Also traded on APT. All Open Interest figs. are for previous day

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.51	93.52	-	93.52	93.48	51,861	516,843
Sep	93.27	93.28	-0.01	93.29	93.25	54,836	335,155
Dec	93.08	93.08	-0.01	93.09	93.04	39,419	253,218

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	•Singer & Friedlander	6.75
•Henry Ansbacher	6.75	•Robert Fleming & Co	6.75	•Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	•Guinness Mahon	6.75	•United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	•Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	•Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
•Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	•Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		•Rea Brothers	6.75		

• Members of London Investment Banking Association
* In administration

LEGAL NOTICE

No. 1636 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
FLUOR DANIEL INTERNATIONAL LIMITED
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 14th March 1995 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share capital of the above-named Company from £10,500,000 to £948,925.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 5th day of April 1995.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 21st day of March 1995

Lovell White Durrant
65 Holborn Viaduct
London EC1A 2DY

Tel: 0171 236 0066
Ref: B6/CGV

Solicitors for the above-named Company

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		60½	—	117	50¼	8.91	19.8	-
9¾pc Non-Cum Prf		4½	—	137½	3	1.90	-	-
Cater Allen	‡†N□	458	-1	630¼	418	149.3	7.7	8.4
Close Bros	‡†N□	349xd	—	385½	203	234.2	4.0	11.1
Gerrard & Nat	‡†N□	423	—	615	395	206.0	7.1	12.2
Hambros	N□	208	—	473	195	387.3	9.0	12.8
7½pc Cv Pf		94xd	—	191	94	121.1	10.0	-
Joseph (L)	‡†N	383	—	443	383	20.3	5.8	11.1
King & Shaxson	‡N	87	—	170	86	15.1	12.9	6.6
Kleinwort Benson	‡qN□	636xd	+20	653	424	847.7	4.2	12.3
Rea Bros	‡†N□	58	—	78	53	24.1	2.0	16.2
Schroders	‡qN□	1518	+15	1574	1050	1,510	1.7	14.6
N/V	qN	1340	+7	1468	1043	388.5	1.9	12.1
Singer & Fried	‡N□	82½	—	114	75	160.2	5.4	ϕ
Union	‡N□	74xd	—	*199	70	19.7	5.1	ϕ
Warburg (SG)	‡N□	738	+14	1012	569	1,619	3.7	13.5
Wintrust	‡†N	285xd	—	390	200	17.4	6.5	13.7

BANKS, RETAIL

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅝	—	£25¾	£19⅛	6,768	5.7	ϕ
ANZ A$		223	—	278¼	171	3,818	5.1	8.1
Abbey National	q€□	480xd	+1	522	380½	6,039	4.8	9.9
Allied Irish I£	‡N□	267xd	-3	314	233	1,779	5.3	10.3
Anglo Irish I£	N□	60	-1	70	50	172.1	8.8	10.1
Asahi Y	□	673	-20½	819¼	628	15,624	0.7	-
Banco Bil Viz Pta	□	£15⅞	-⅛	£17⅞	£14⅛	3,618	5.2	7.1
Banco Sant Pta		£24⅜	—	*£30½	£23¾	3,683	5.2	ϕ
Bk Ireland I£	†N□	311	—	*318	246	1,478	4.8	9.0
Bank Scotland	‡†N□	216	-½	247	172½	2,629	3.1	12.2
9¼pc Pf		138	+½	141½	105	118.0	9.8	-
9¾pc Pf		124	+¼	148½	111¼	124.0	9.8	-
Barclays	‡qN□	611xd	—	640	487	9,996	4.3	9.0

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or −	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	—	£34	£13½	2,123	2.4	Φ
Barlow	♣	£9¼	—	£5¼	£3¼	1,247	1.6	22.8
Gold Flds Prop R		144xa	—	152	75	14.7	7.3	Φ
NK Props		98	—	98	85	3.62	13.0	–
SASOL	♥	597	—	597	280	3,444	2.3	–
SA Brews	†	£17½	—	£17⅞	210	4,909	1.6	28.3
Tiger Oats		850	—	875	538	1,278	1.7	20.5
Tongaat-Hulett	††	850	—	*782	359¼	628.8	2.0	20.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▪ Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Φ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9981. Ring 0181-770 0770 (open 24 hours including weekends) or Fax 0181-770 3822. If calling from outside the UK, ring +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
Jersey: 01534 71696
Hong Kong (852) 848 1000

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum			A$17.330			6.50
A$ Dist			A$15.134xd			6.50
BFr Accum			BFr538.51		-0.22	5.20
C$ Accum			C$17.383			7.00
DM Accum			DM36.745			3.80
ECU Accum			Ecu12.859			5.50
FM Accum			FM105.41			3.80
FM Dist			FM100.53xd			3.80
FFr Accum			FFr62.919			6.10
HK$ Accum			HK$112.09			6.00
Lira Accum			L20887		+13	9.10
Lira Dist			L15169xd		+10	9.10

Jupiter Tyndall (Bermuda) Ltd

Mamukean Asset Management Ltd

Octon Fund Limited

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Lazard Freres Asset Management (CI) Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gr's
US$	$40.80			4.84
Canadian $	C$51.48		+0.01	6.94
£ Sterling	£28.44		+0.01	4.80
D-Mark	DM51.00		+0.01	3.72
Swiss Francs	SFr34.28		+0.01	2.30
Japanese Yen	Y3553		—	1.22
Managed Fund	$43.03		—	—

Latest Fund Prices 24hr service 01481 714045

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 395, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Gartmore Fund Managers (CI) Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Rothschild Asset Mngt (CI) Ltd

Schroder Investment Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Baring International Fund Managers (Ireland) Ltd

Dresdner Intl Fd Mgrs Ltd

Dunedin Unit Trust Managers (Ireland) Ltd

The Fidelity Global Fund

GT Asset Management (Ireland) Ltd

GT Asset Management - Contd.

Frank Russell Investments (Ireland) Ltd

GT Asset Management (Ireland) Ltd

Hambros Fund Managers (Ireland) Ltd

Henderson Touche Remnant

Morgan Grenfell Investment Funds Ltd

Providence Capitol International

Scottish Widows

Singer & Friedlander

IRELAND (REGULATED)(**)

AIB Fund Managers Ltd

Bank of Ireland

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

Quilter Intl Mngt (IoM) Ltd

Ulster Bank Global Funds Plc

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AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Fleming Group

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Save & Prosper International

Standard Bank Fund Mngt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

Lombard Odier (Jersey) Ltd

Jupiter Tyndall (Jersey) Ltd

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Schroder International Selection Fd

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Alliance Capital

Banque Paribas Luxembourg

CS Bond Fund

Carlson Investment Management

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Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd (z)

Capital International

Global Asset Management - Contd.

Man International Futures - Contd.

Sabre Futures Fund

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Firmer close after a cautious trading session

By Terry Byland,
UK Stock Market Editor

UK stocks managed to edge forward *to a new 1995 high yesterday*, in spite of nervousness ahead of this morning's latest data on domestic retail inflation. However, share prices closed off the top, and very modest gains in equities contrasted with falls in government bonds and some uncertainty in currencies following a sharp surge in the US trade deficit.

After moving narrowly around overnight levels, the FT-SE 100 Index rose by more than 8 points in late trading as stock index futures turned higher. By the official close the FT-SE 100 had settled at 3,139.7 for a gain on the day of 4.7 points.

For much of the day the London market appeared to lack direction. Weakness in sterling, sparked by growing awareness of the narrowing of Mr John Major's parliamentary majority, depressed shares at the opening. Then there was a turn for the better when news of a further slowing in German money supply growth encouraged interest rate optimism.

But there was little strength behind the market, and a gain of only 2 points on the Footsie until the futures market took a hand towards the end of the day. Traders took a cautious view of the late improvement, which was checked when the Dow Jones Industrial Average slipped to a fall of 8 points in London hours.

Strategists commented that London had been helped yesterday by an initially calm reception from the dollar to the unexpected jump in the US trade deficit. But they said the mood could change if currency markets react overnight.

Most analysts hope to see a slight moderation in *domestic inflation in* the February figures, which will be announced early in today's session.

Few believe that there is any very strong case for higher UK base rates at present. However, the death of a Popular Unionist member of the UK parliament has brought political uncertainty to the fore again.

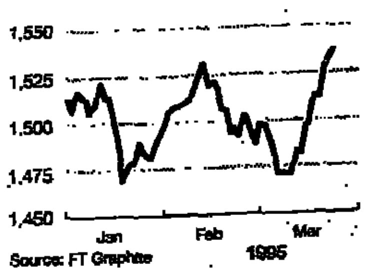
Some UK political analysts now *suggest that the Conservative government* may come under pressure to hold a general election well before the end of the present parliament.

There was little selling when prices turned down yesterday morning, and the market's ability to *continue moving ahead, after only* a brief pause for profit-taking on Friday, indicates good underlying demand. This week has brought a series of buy programmes which has left marketmakers short of stock; share prices are likely to remain very firm as long as this technical situation continues.

The broader market was less *active yesterday*, and the FT-SE Mid 250 Index finished a mere 0.3 higher at 3,407. The FT-SE-A 350 Index moved to a new peak *for the year*, adding 1.8 at 1,556.2.

Seaq volume came to 566.2m shares, compared with 818.4m in the previous session. On Tuesday, *customer business in equities* was worth £1.82bn, still boosted by the large trading programme first seen at the beginning of the week. *Non-*Footsie stocks increased their share of business yesterday, making up about 60 per cent of the total.

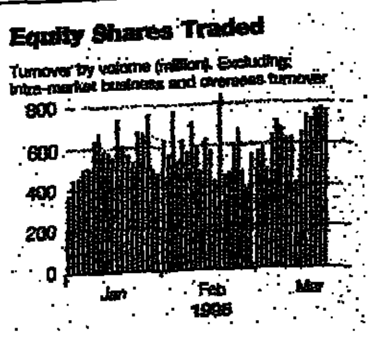
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3139.7	+4.7
FT-SE Mid 250	3407.0	+0.3
FT-SE-A 350	1556.2	+1.8
FT-SE-A All-Share	1535.21	+1.77
FT-SE-A All-Share yield	4.16	(4.16)
FT Ordinary index	2394.0	-0.2
FT-SE-A Non Fins p/e	17.10	(16.97)
FT-SE 100 Fut Jun	3159.0	+1.0
10 yr Gilt yield	8.55	(8.48)
Long gilt/equity yld ratio:	2.08	(2.06)

Best performing sectors

1	Tobacco	+1.8
2	Banks, Merchant	+1.4
3	Telecommunications	+1.3
4	Other Ser & Bus	+1.0
5	Household Goods	+1.0

Worst performing sectors

1	Insurance	-1.2
2	Property	-1.1
3	Building & Cons	-0.9
4	Water	-0.8
5	Distributors	-0.5

Merchant banks on alert

The UK's leading merchant banks easily outstripped the rest of the market as dealers responded to the latest suggestions that a round of rationalisation in the sector could be on the cards.

The rationalisation stories were accompanied by revived talk that James Capel, the stockbroking arm of HSBC, may be considering making markets in *UK stocks*. Such a move would increase pressure on the existing marketmakers, which were badly hit last year *by falling bond prices and poor* turnover in equities.

Talk circulating in the market *yesterday hinted at a series* of mergers, which could see some of the biggest names merge with *European or US* groups. The rumours continued to point at a deal involving S.G. Warburg as being not too far away.

Shares in all the merchant banks raced ahead last December after news that S.G. Warburg, long regarded as the UK's premier merchant bank, was involved in merger talks with Morgan Stanley, one of the top US investment banks. They fell sharply, however, as *the talks foundered and Mor*gan Stanley withdrew.

Warburg shares began to move up *late* on Tuesday and rose further to close 14 higher at 736p yesterday, an advance of almost 2 per cent. Turnover was just short of 1m shares. Schroders added 15 at 1510p, up 1 per cent.

Kleinwort Benson, however, took the honours in the sector, the shares racing up 20 or 3.25 per cent to 635p in the wake of some determined buying interest which was said to have originated in the US.

ICI busy

ICI recovered from its lows as PaineWebber, of the US, reiterated a strong buy recommendation. Analyst Mr Andrew Cash said: "The negative sentiment is being melted away by the very strong earnings for the first quarter. This company is not interest rate-sensitive as conventional wisdom would have it." The shares, off 6 at one stage, recovered to close only a penny *down at 710p.*

Barratt falls

Barratt Developments gave up 14 or 7.5 per cent to 171p, *leaving the stock the worst* performer in the FT-SE Mid 250 Index. The decline came in the wake of the group's interim results which, although well above the comparable period of last year, were slightly below best estimates. There was, however, widespread satisfaction with the 25 per cent jump in the dividend.

Property company Bolton Group leapt 9½ to 21p on turnover of 5.5m shares after the *company announced a two-for-*seven rights issue and placing priced at 23p a share to raise a *total of £4.7m. The issue has* been fully underwritten by China Strategic Holdings, the holding company of Oei Hong-leong, the acquisitive Asian entrepreneur. China Strategic intends to take 27 per cent of Bolton.

NatWest Securities was reported to be negative on *MEPC*, which lost 6 at 399p.

In food retailers, Argyll Group eased 4½ to 288½p after NatWest was said to have downgraded its recommendation from add to hold.

Yield considerations were put forward as being behind the strong showing of East Midlands Electricity, which rose 19 to 630p. Manweb also gained ground, closing 11 firmer at 657p.

Northumbrian Water, where Lyonnaise des Eaux has said it will bid for the company, rose 16 to 830p.

Channel tunnel operator Eurotunnel tumbled 12 to 243p on talk that the group may be *forced to have another rights* issue.

Sentiment in London was *also weakened by the sharp* decline of the stock on the Paris bourse, where it is most *heavily traded. The fall there* was prompted by a negative review from one broker.

News that NFC, the transport and logistics group, had appointed a new chief executive helped the stock brush aside disappointment at the group's lower than expected first-quarter figures. The shares put on 4 at 169p in trade of 8.1m. Profits for the 16-weeks to January 1995 were down 30 per cent to £20.7m.

Dealers were said to have passed on the stock that has recently overhung P&O. The shares moved sharply ahead by 14 to 580p, making it the day's best performer among FT-SE 100 constituents. Volume was 2.9m at the close. The group reports figures next Tuesday and the *range of forecasts* is between £330m and £370m.

BT added 6 at 391p and Cable *and Wireless rose 3 to 393p*, with dealers saying that both companies could be in line to *win important telecoms* licences in Germany in the near future.

Lloyds Bank made good progress, closing 5½ ahead at 595½p, and Royal Bank of Scotland continued Tuesday's rally, edging forward 3 to 424p, but the rest of the sector was largely ignored.

In composite insurers, Royal dipped 9 to 290p as the market reacted negatively to the big payout made to former US chief Mr William Buckley.

BAT Industries was lifted 7 to 438p by press comment which highlighted hopes of brighter prospects for tobacco companies in the US. Also, Lehman Brothers reiterated its buy stance on the stock.

Pharmaceuticals group *SmithKline Beecham "A"* eased 2½ to 521½p after Kleinwort Benson moved its recom*mendation on the stock from* buy to hold. But Zeneca advanced 8 to 894p as fund *managers digested a 100-page* buy note from S.G. Warburg.

Fisons picked up 2 to 167p on reports of an upgrading by agency broker James Capel. Wellcome shed 2 to 1052p ahead of the departure today of Mr John Robb, the chairman and chief executive.

On the whole, the sector leaders were put in the shade by their US rivals, which were highlighted by Smith Barney, the US brokerage.

Big UK percentage moves were left to the health and household stocks. Smith & *Nephew appreciated 3¼ to* 165¾p, London International Group 4 to 100p and Reckitt & Colman 6 to 636p.

UK institutions are believed to have been the day's leading sellers of British Steel, as fears that the company would soon announce price reductions continued. The stock relinquished a further 3 to 157p in trade of 13m shares.

Active profit-taking left British Aerospace 6 lower at 493p. Dealers reported a two-way *pull in Rolls-Royce, which* shed a half-penny to 164p. The company was said to have held a meeting with *institutions on* Tuesday evening and traders suggested that the slow pace of US regulators may delay completion of Rolls-Royce's takeover of Allison, the US aero engine manufacturer.

Recommendations following the figures pushed Bowater 6 higher to 438p.

United Newspapers fell 9 to 522p on profit-taking ahead of figures expected today. The market has anticipated full-year profits of £140m.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Mar 22	Mar 21	Mar 20	Mar 17	Mar 16	Yr ago	*High	*Low
Ordinary Share	2394.0	2394.2	2381.6	2362.2	2371.5	2493.9	2713.6	2238.3
Ord. div. yield	4.42	4.43	4.45	4.49	4.47	3.70	4.66	3.43
Earn. yld. % full	7.16	7.17	7.21	7.24	7.21	5.04	7.39	3.82
P/E ratio net	16.63	16.60	16.51	16.45	16.51	21.57	33.43	16.11
P/E ratio nil	16.32	16.29	16.20	16.10	16.16	22.52	30.80	15.77

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2388.6	2392.5	2387.3	2388.1	2388.1	2389.8	2390.1	2390.9	2397.0	2399.2	2383.8

	Mar 22	Mar 21	Mar 20	Mar 17	Mar 16	Yr ago
SEAQ bargains	32,125	36,639	30,953	29,997	27,404	39,106
Equity turnover (£m)†	-	1824.2	1772.9	1592.7	1614.5	1788.1
Equity bargains†	-	49,275	43,811	41,468	40,369	44,205
Shares traded (ml)†	-	758.9	779.2	766.7	719.9	600.7

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	425	Total Highs	26	Total contracts	28,255
Total Falls	742	Total Lows	87	Calls	13,496
Same	1701			Puts	12,759

March 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3146.0	3159.0	+1.0	3170.0	3139.0	11056	60791
Sep		3182.0	+1.0			0	1050

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3425.0	3425.0	+15.0	3425.0	3415.0	117	4070

■ FT-SE 100 INDEX OPTION (LIFFE) (*3142) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Apr	199½	4½	154	8½	112½	16½	76	30½	47	52	26	81½	12½	118½	5½	160½
May	216	15	176	23	139	35½	105	51½	75½	71½	53	99	35	131½	21	168½
Jun	228½	23½	190	34	153½	47½	122½	66	93	86½	71	114	50½	143½	38	179½
Jul	245	31½	289	45	174½	59½	148	80	117½	101½	98	130	70	159	58	194
Dec†			285½	85			225	122			172½	169			128	224

Calls 4,186 Puts 2,826

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Apr	175½	6	132	12	92½	22½	60	39½	36	65½	18½	97½	8½	137½	3½	181½
May	198½	18½	157½	29	121	42	90	60½	63½	83½	43	112½	27½	146	16½	184½
Jun	212½	31½	175	43½	141	58½	110	78½	82½	98½	59½	124½	41	155	28½	190
Sep			224½	72½			182	107			189	150½			88½	208½
Dec†			274½	91½			213	125½			169	187½			114½	217

Calls 1,624 Puts 3,405 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	517.3	166	154	Albright & Wilson	165	+1	RN6.0	1.5	4.5	18.3
-	F.P.	18.4	201	175	Beale	180		HN5.9	-	4.1	-
-	F.P.	28.0	128	123	Colleagues	128					
§128	F.P.	15.6	135	130	Dailywin	130		RN6.0	2.2	5.8	6.8
§130	F.P.	45.7	138	136	Datrontech	136	-2	N-	-	-	15.6
100	F.P.	30.0	101	100	Geared Inc Inv C	100		-	-	-	-
§135	F.P.	16.4	138	118	Golden Rose	122	-1	-	-	-	-
100	F.P.	161.6	101	95	HTR Inc Gth Sp Inc	101		-	-	-	-
100	F.P.	94.5	105	102	Do. Zero Dvi Pf	105		-	-	-	-
-	F.P.	9.40	20	17	Inv Cap Warrants	19	-1	-	-	-	-
-	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84		-	-	-	-
-	F.P.	2.91	59	55	Do. Warrants	58		-	-	-	-
-	F.P.	0.36	5	3	Melrose Warrants	3½		-	-	-	-
100	F.P.	23.5	94	90	Montanaro UK Sm	94		-	-	-	-
-	F.P.	2.15	48	43	Do. Warrants	43		-	-	-	-
476	170	6,108.7	193	163½	*Natl Power (P/P)	170½	+2	FN15.45	2.6	4.1	13.1
512	185	4,062.4	206	175½	*PowerGen (P/P)	190½	+1	FN15.0	3.2	3.6	11.2
-	F.P.	78.3	498	493	Schroder I G Uts	495		-	-	-	-
50	F.P.	3.85	50	47	Superframe	47	-3	RN2.0	1.6	5.3	11.6
-	F.P.	0.04	8	7	Do. Warrants	7		-	-	-	-
-	F.P.	24.3	102	100	Throg Di Zero Pf	102		-	-	-	-
145	F.P.	63.1	183	170	Zotefoams	174		W4.65	2.1	3.3	17.6

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Mar 21	% chg on day	Mar 20	Mar 17	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)†	1846.55	-0.6	1857.33	1857.31	2955.48	2.28	2387.99	1897.91
■ Regional Indices								
Africa (16)	2656.94	0.0	2657.41	2689.25	2933.04	5.08	3711.87	2304.45
Australasia (7)	2097.28	+0.2	2092.99	2178.99	2565.86	1.88	2951.49	1788.20
North America (11)	1576.56	-1.0	1593.12	1569.94	1727.84	0.83	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
PLEASE NOTE: Supporting data for the FT Gold Mines Index is provided by the Mining Journal Ltd.
Latest prices were unavailable for this edition. Market closed 21/3/95: South Africa.

FT-SE Actuaries Share Indices — The UK Series

	Mar 22	Day's chge%	Mar 21	Mar 20	Mar 17	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3139.7	+0.2	3135.0	3124.2	3089.3	3155.3	4.34	7.83	15.36	32.21	1211.41
FT-SE Mid 250	3407.0	......	3406.7	3391.0	3374.5	3825.2	3.75	6.73	17.90	20.44	1291.36
FT-SE Mid 250 ex Inv Trusts	3414.6	......	3413.6	3398.0	3382.7	3842.6	3.90	7.29	16.65	20.69	1292.50
FT-SE-A 350	1556.2	+0.1	1554.4	1548.6	1533.5	1604.3	4.21	7.59	15.86	14.49	1227.47
FT-SE-A 350 Higher Yield	1569.3	+0.1	1567.3	1563.0	1548.5	1607.1	5.19	8.44	14.20	19.29	1020.19
FT-SE-A 350 Lower Yield	1543.1	+0.1	1541.3	1533.9	1518.1	1560.2	3.07	6.59	18.38	9.67	1023.73
FT-SE SmallCap	1695.77	+0.1	1694.35	1689.24	1687.65	1976.60	3.54	5.23	23.92	10.66	1333.78
FT-SE SmallCap ex Inv Trusts	1673.96	+0.1	1671.82	1667.57	1666.50	1954.24	3.76	5.85	21.69	10.16	1320.79
FT-SE-A ALL-SHARE	1535.21	+0.1	1533.44	1527.85	1513.96	1597.20	4.16	7.41	16.28	13.94	1231.13

■ FT-SE Actuaries All-Share

	Mar 22	Day's chge%	Mar 21	Mar 20	Mar 17	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2695.02	-0.1	2697.03	2691.17	2670.46	2546.31	3.81	6.66	18.81	20.88	1096.61
12 Extractive Industries(7)	3612.34	+0.8	3583.42	3559.15	3588.80	3946.05	3.89	7.64	15.33	76.59	1018.54
15 Oil, Integrated(3)	2694.49	-0.3	2703.03	2700.98	2667.55	2459.16	3.92	6.97	17.88	11.39	1117.47
16 Oil Exploration & Prod(14)	1896.69	+0.5	1887.44	1874.89	1885.74	1827.18	2.65	1.49	80.00†	27.14	1113.37
20 GEN INDUSTRIALS(279)	1828.89	-0.1	1830.80	1826.50	1815.39	2118.75	4.31	6.61	18.38	17.38	949.81
21 Building & Construction(38)	942.56	-0.9	951.57	948.61	948.01	1385.45	4.18	7.32	17.58	7.53	750.23
22 Building Matls & Merchs(31)	1752.80	-0.4	1759.91	1743.61	1730.82	2226.56	4.41	6.30	19.26	1.22	834.80
23 Chemicals(23)	2197.27	+0.2	2192.00	2181.06	2175.80	2484.60	4.35	5.67	21.15	29.06	995.26
24 Diversified Industrials(17)	1785.41	+0.1	1783.63	1788.55	1780.59	2122.76	5.34	7.47	16.20	33.96	942.32
25 Electronic & Elect Equip(37)	1934.24	+0.2	1930.92	1921.34	1905.26	2044.34	3.75	6.83	17.41	5.94	958.78
26 Engineering(72)	1778.84	-0.4	1785.29	1782.13	1769.12	1943.60	3.47	6.18	19.61	12.74	1032.91
27 Engineering, Vehicles(13)	2143.19	-0.4	2152.61	2133.97	2150.29	2289.73	4.26	3.40	38.58	24.92	1051.44
28 Paper, Pckg & Printing(27)	2744.25	+0.1	2742.82	2753.56	2703.18	2904.86	3.46	7.68	15.68	13.27	1091.79
29 Textiles & Apparel(21)	1433.62	+0.1	1432.01	1427.59	1415.47	1836.04	4.80	7.41	17.53	8.68	824.64
30 CONSUMER GOODS(94)	2947.79	+0.3	2939.59	2923.70	2904.88	2770.76	4.38	6.58	18.48	36.58	1037.61
31 Breweries(18)	2161.87	......	2161.93	2142.70	2129.02	2173.07	4.44	8.52	14.15	11.98	990.46
32 Spirits, Wines & Ciders(10)	2597.49	-0.4	2608.36	2580.97	2540.92	2993.27	4.39	7.57	15.60	26.30	886.89
33 Food Producers(24)	2421.84	+0.4	2413.05	2404.80	2383.08	2321.98	4.15	7.73	15.67	15.08	1037.10
34 Household Goods(10)	2492.42	+1.0	2467.61	2452.38	2425.64	2586.18	3.67	3.23	38.75	1.97	903.65
36 Health Care(18)	1658.74	+0.9	1643.44	1623.29	1620.86	1781.53	3.12	3.54	38.60	4.17	971.22
37 Pharmaceuticals(12)	3742.80	+0.1	3739.22	3759.03	3710.62	2923.64	4.14	4.19	29.18	49.21	1217.33
38 Tobacco(2)	3679.71	+1.8	3615.87	3500.95	3626.23	3850.59	6.20	11.14	11.22	131.29	870.90
40 SERVICES(230)	1909.36	+0.3	1903.85	1892.54	1873.12	2038.82	3.37	6.91	17.64	10.15	951.51
41 Distributors(32)	2279.85	-0.5	2292.22	2294.41	2278.22	3079.27	4.16	8.07	14.82	11.98	800.82
42 Leisure & Hotels(29)	2120.97	+0.2	2116.61	2100.30	2090.86	2239.44	3.61	5.37	22.50	28.21	1066.06
43 Media(43)	2808.88	-0.2	2813.83	2794.04	2786.52	3114.54	2.68	5.91	20.52	21.28	985.58
44 Retailers, Food(16)	1877.61	+0.2	1874.10	1866.89	1839.17	1608.72	3.61	8.53	14.37	2.69	1134.85
45 Retailers, General(44)	1605.04	+0.9	1591.04	1573.10	1547.76	1712.38	3.37	7.24	17.12	5.49	876.70
48 Support Services(38)	1458.63	-0.3	1463.55	1466.04	1463.31	1884.75	2.98	7.14	16.94	3.88	895.73
49 Transport(21)	2211.44	+0.5	2199.53	2199.39	2168.17	2539.52	3.87	6.84	17.39	7.85	875.85
51 Other Services & Business(7)	1174.38	+1.0	1162.24	1149.89	1155.94	1200.03	3.82	4.72	28.57	9.17	1026.82
60 UTILITIES(37)	2274.81	+0.8	2261.75	2260.31	2239.92	2378.99	4.78	9.19	12.91	6.85	896.29
62 Electricity(17)	2119.08	+0.3	2111.88	2118.73	2119.72	2327.38	4.83	12.28	9.71	19.89	906.87
64 Gas Distribution(2)	1950.62	......	1950.62	1950.37	1927.36	2005.77	6.14	7.08	17.65	0.00	916.19
66 Telecommunications(5)	2017.52	+1.3	1992.48	1986.46	1955.28	2054.94	4.05	6.67	18.29	0.13	875.66
68 Water(13)	1757.03	-0.6	1767.43	1765.21	1759.21	1869.66	5.70	13.63	8.01	4.62	895.93
69 NON-FINANCIALS(684)	1656.25	+0.2	1653.00	1646.95	1634.00	1723.77	4.12	7.10	17.10	13.17	1182.58
70 FINANCIALS(116)	2217.76	-0.2	2223.02	2216.03	2180.77	2270.48	4.76	10.17	11.72	34.45	899.88
71 Banks, Retail(9)	2932.47	-0.1	2936.76	2929.84	2871.37	2887.24	4.68	12.13	9.63	57.46	901.43
72 Banks, Merchant(6)	3070.87	+1.4	3028.93	3023.16	3033.47	2823.49	3.77	9.12	13.31	15.72	937.53
73 Insurance(26)	1229.90	-1.2	1244.69	1228.41	1213.99	1328.08	5.76	10.03	12.68	32.39	873.88
74 Life Assurance(6)	2539.68	+0.4	2529.42	2591.97	2535.33	2543.42	5.31	7.02	17.76	3.96	984.43
77 Other Financial(23)	1873.54	+0.6	1862.35	1854.07	1846.93	2000.96	4.05	8.74	13.51	16.03	1021.01
79 Property(46)	1391.92	-1.1	1407.36	1383.46	1369.11	1642.17	4.35	4.92	25.41	4.45	810.26
80 INVESTMENT TRUSTS(135)	2605.48	-0.1	2607.97	2593.32	2578.58	2877.48	2.44	1.99	50.41	14.78	895.34
89 FT-SE-A ALL-SHARE(815)	1535.21	+0.1	1533.44	1527.85	1513.96	1597.20	4.16	7.41	16.28	13.94	1231.13
FT-SE-A Fledgling	949.95	......	949.81	949.21	949.08	-	3.88	-	-	5.61	955.44
FT-SE-A Fledgling ex Inv Trusts	947.08	......	946.93	946.60	946.69	-	3.26	-	-	5.70	952.64

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3127.7	3134.4	3127.4	3131.2	3131.4	3133.7	3135.0	3134.7	3142.6	3145.9	3124.1
FT-SE Mid 250	3404.8	3404.5	3403.5	3402.7	3403.5	3404.6	3405.1	3405.9	3407.3	3407.6	3401.8
FT-SE-A 350	1551.4	1553.9	1551.1	1552.5	1552.7	1553.6	1554.2	1554.2	1557.4	1558.6	1549.8

Time of FT-SE 100 Day's high: 3.54pm Day's low: 10.24am. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	932.8	932.8	931.8	930.6	928.7	928.0	927.2	926.9	925.6	925.2	936.3	-11.1
Pharmaceuticls	3698.3	3704.2	3698.1	3700.5	3701.0	3703.9	3710.7	3713.5	3720.7	3713.5	3709.9	+3.6
Water	1760.3	1753.6	1751.9	1750.3	1750.3	1750.3	1750.3	1750.3	1750.3	1749.7	1760.3	-10.6
Banks, Retail	2962.6	2968.1	2961.0	2968.8	2968.3	2968.3	2964.5	2961.2	2970.2	2969.9	2974.2	-4.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
 The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	3,700	384	+3
ASDA Group†	10,000	73½	-¼
Abbey National†	2,600	460	+1
Albert Fisher	1,100	42	+1
Allied Domecq†	862	520	-5
Anglian Water	296	470	
Argos	868	392½	+8½
Argyll Group†	2,300	288½	-4½
Arjo Wiggins†	3,700	246	-2
Assoc. Brit. Foods†	56	587	-1
Assoc. Brit. Ports	197	284	-1
BAA†	1,200	480	+4
BAT Inds.†	6,800	438	+7
BET	922	109½	-½
BICC	3,500	337	+1
BOC†	1,800	700	+7
BP†	8,000	421	
BPB Inds.	2,400	276	-2
BT†	5,600	391	+6
BTR†	7,200	318½	+4
Bank of Scotland†	1,100	216	-½
Barclays†	3,300	611	
Bass†	2,500	524	-1
Blue Circle†	1,800	281	-2
Booker	248	399	
Boots†	1,800	518	+3
Bowater†	1,800	438	+6
Brit. Aerospace†	516	493	-6
British Airways†	3,600	400	+2
British Gas†	3,700	295	
British Land	3,000	382	-6
British Steel†	13,000	157	-3
Bunzl	1,300	170½	+½
Burmah Castrol†	282	878	-3
Burton	5,700	77¾	+1¼
Cable & Wire†	6,300	393	+3
Cadbury Schweppes†	2,000	451	-1
Caradon†	2,600	284	-2
Carlton Comms.†	1,000	903	-3
Coats Viyella	2,700	179	
Comm. Union†	1,300	542	-4
Cookson	1,700	201	-1
Courtaulds†	840	447	-3
Dalgety	114	420	+2
De La Rue†	694	882	-6
Dixons	2,100	222	+1
Eastern Elect.†	1,800	586	+7
East Midland Elect.	683	630	+19
Electrocomps	288	494	+2
Eng China Clays	726	358	+3
Enterprise Oil†	[illegible]	[illegible]	[illegible]
Eurotunnel	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.	[illegible]	[illegible]	[illegible]
Forte†	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	313	[illegible]
Granada†	1,700	541	+2
Grand Met.†	5,700	391	-3
GUS†	3,100	569	
GRE†	1,900	187	-5
GKN†	1,800	597	+1
Guinness†	3,100	421½	+½
HSBC (75p shs)†	2,000	709	-7
Hammerson	184	327	-5
Hanson†	6,600	234½	-2
Harrisons Crosfield	1,500	151	-1
Hays	3,800	294	
Hillsdown	2,700	180	+4
IMI	601	305	
ICI†	2,700	710	-1
Inchcape†	825	301	-5
Johnson Matthey	24	520	+1
Kingfisher†	1,500	455	+7
Kwik Save	74	534	+5
Ladbroke†	3,800	168	-2
Land Securities†	1,800	599	-7
Laporte	[illegible]	677	+7
Legal & General†	[illegible]	478	+2
Lloyds Abbey	33	358	
Lloyds Bank†	1,700	595½	+5½
LASMO	2,200	155	
London Elect.	403	613	+5
Lonrho	3,800	146	+1½
Lucas	3,100	192	-5
MEPC†	823	399	-6
MFI	2,000	116	-1
Manweb	359	657	+11
Marks & Spencer†	8,300	409½	+6
Midlands Elect.	161	618	+3
Morrison (Wm.)	1,800	147	+3
NFC	8,300	169	+4
NatWest Bank†	1,700	522	
National Power†	3,600	432	
Next	3,600	298	-2
North West Water†	553	532	-5
Northern Elect.	751	755	+10
Northern Foods	1,000	205	
Norweb	293	645	+5
Pearson†	919	582	-4
P & O†	2,800	580	+14
Pilkington	1,200	171	-1
PowerGen†	1,000	489	+1
Prudential†	4,900	324	+2
RMC†	898	884	-7
RTZ†	3,400	789	+7
Racal	239	233	-1
Rank Org.†	982	393	+2
Reckitt & Colman†	520	636	+6
Redland†	1,800	451	+3
Reed Intl.†	1,300	777	+2
Rentokil†	2,600	237½	+1½
Reuters†	3,300	472	-2
Rolls Royce†	4,100	164	-½
Ryl Bk Scotland†	958	424	+3
Royal Insurance†	1,600	290	-9
Sainsbury†	1,500	433½	-½
Schroders†	108	1510	+15
Scottish & New.†	684	508	
Scot. Hydro-Elect.	1,000	304	-1
Scottish Power†	1,500	320	-3
Sears†	5,400	102½	+2
Sedgwick	1,100	154	-1
Seeboard	327	368	+2
Severn Trent†	241	504	-7
Shell Transport†	6,800	722½	-4½
Siebe†	836	583	+8
Slough Ests	851	230	-8
Smith (W.H.)	2,800	428	+8
Smith & Nephew†	7,000	165¾	+3¼
SmKl Beecham†	8,800	521½	-2½
SmKl Beecham Uts.†	8,600	503½	-½
Smiths Inds.	244	471	+2
Southern Elect.†	1,800	616	
South Wales Elect.	733	653	+8
South West Water	125	486	
South West. Elect.	108	640	+2
Southern Water	85	548	-1
Standard Chartd.†	2,200	291	-1
Storehouse	5,500	227	+2
Sun Alliance†	2,000	324	-4
TBN	824	181	-1
TI Group†	293	359	-1
TSB†	777	241	-2
Tarmac	1,400	112	-1
Tate & Lyle†	1,600	439	+8
Taylor Woodrow	791	120	-3
TeleWest	208	180	
Tesco†	3,100	272½	+3½
Thames Water†	801	490	-4
Thorn EMI†	1,500	1059	+10
Tomkins†	3,000	241½	-1½
Trafalgar House	2,700	69	
Unigate	2,400	372	+5
Unilever†	1,500	1232	+2
United Biscuits†	1,500	344	+8
Utd. Newspapers	1,100	522	-9
Vodafone†	5,600	208	+3
Warburg (SG)†	1,500	736	+14
Welsh Water	68	668	+2
Wessex Water	546	272	-8
Whitbread†	951	533	-1
Williams Hldgs.†	355	328	
Willis Corroon	467	149	-1
Wimpey	589	127	
Wolseley†	1,300	373	+8
Yorkshire Elect.	611	647	+1
Yorkshire Water	286	510	-4
Zeneca†	3,000	894	+8

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 22 / Sch)

BELGIUM/LUXEMBOURG (Mar 22 / Frs.)

CZECH REP (Mar 22 / Koruna)

DENMARK (Mar 22 / Kr)

FINLAND (Mar 22 / Mks)

FRANCE (Mar 22 / Frs.)

GERMANY (Mar 22 / Dm.)

GREECE (Mar 22 / Drachma)

ITALY (Mar 22 / Lira)

NETHERLANDS (Mar 22 / Fls.)

NORWAY (Mar 22 / Kroner)

POLAND (Mar 21 / Zloty)

PORTUGAL (Mar 22 / Escudo)

SPAIN (Mar 22 / Pts.)

SWEDEN (Mar 22 / Kronor)

SWITZERLAND (Mar 22 / Frs.)

TURKEY (Mar 22 / Tk Lira)

PACIFIC

JAPAN (Mar 22 / Yen)

HONG KONG (Mar 22 / H.K.$)

INDONESIA (Mar 22 / Rupiah)

MALAYSIA (Mar 22 / MYR)

NEW ZEALAND (Mar 22 / NZ $)

SINGAPORE (Mar 22 / S$)

AUSTRALIA (Mar 22 / Aust$)

SOUTH KOREA (Mar 22 / Won)

TAIWAN (Mar 22 / TW $)

THAILAND (Mar 22 / Baht)

AFRICA

SOUTH AFRICA (Mar 22 / Rand)

NORTH AMERICA

CANADA

TORONTO (Mar 22 / Can $) 4 pm close

MONTREAL (Mar 22 / Can $) 4 pm close

[illegible]

INDICES

	Mar 22	Mar 21	Mar 20	1994/5 High	1994/5 Low
Argentina General (29/12/77)	(u)	12591.26	12470.73	25470.49 16/2/94	9831.09 9/3/95
Australia All Ordinaries(1/1/80)	1892.4	1914.7†	1904.5	2340.60 3/2/94	1823.30 8/2/95
All Mining(1/1/80)	825.6	837.4	833.6	1136.10 3/2/94	795.30 8/2/95
Austria Credit Aktien(30/12/84)	364.16	367.37	367.71	460.86 2/2/94	361.34 3/2/95
Traded Index(2/1/91)	977.58	986.16	987.28	1222.25 1/2/94	968.38 3/2/95
Belgium BEL20 (1/1/91)	1298.38	1306.08	1317.89	1542.65 9/2/94	1271.53 9/3/95
Brazil Bovespa (29/12/83)	(u)	30061.0	28701.0	55110.00 13/9/94	3800.66 3/1/94
Canada Metals Minls♦(1975)	(u)	3955.58	3954.34	4326.07 18/1/95	3298.06 20/4/94
Composite♦ (1975)	(u)	4246.20	4249.80	4808.80 23/3/94	3959.90 24/6/94
Portfolio§§ (4/1/83)	(u)	2108.14	2111.49	2182.69 1/2/94	1868.48 28/6/94
Chile IPGA Gen (31/12/80)	(u)	5211.6	5207.1	5754.40 21/11/94	3901.20 4/4/94
Denmark CopenhagenSE(3/1/83)	341.88	342.28	342.48	415.79 2/2/94	336.68 20/12/94
Finland HEX General(28/12/90)	1631.1	1672.8	1696.9	1972.00 4/2/94	1691.10 3/1/94
France SBF 250 (31/12/90)	1198.04	1198.15	1197.38	1585.20 2/2/94	1164.41 13/3/95
CAC 40(31/12/87)	1817.98	1813.78	1811.57	2355.93 2/2/94	1721.80 13/3/95
Germany FAZ Aktien(31/12/58)	736.81	741.17	740.42	859.27 18/5/94	736.81 22/3/95
Commerzbank(1/12/53)	2102.0	2114.6	2113.9	2465.50 2/5/94	2102.00 22/3/95
DAX (30/12/87)‡	1982.66	1982.95	1991.75	2271.11 16/5/94	1960.69 7/10/94
Greece Athens SE(31/12/80)	810.35	804.30	791.40	1194.58 18/1/94	787.15 18/3/95
Hong Kong Hang Seng(31/7/64)	8509.11	8580.31	8594.43	12201.09 4/1/94	6967.93 23/1/95
India BSE Sens.(1979)	(c)	(c)	(c)	4638.57 12/9/94	3233.31 22/2/95
Indonesia Jakarta Comp.(10/8/82)	425.92	427.19	426.94	612.89 5/1/94	425.22 14/3/95
Ireland ISEQ Overall(4/1/88)	1825.57	1826.99	1823.58	2082.16 20/1/94	1694.14 1/7/94
Italy Banca Comm Ital (1972)	602.83	598.58	591.50	817.17 10/5/94	581.64 13/12/94
MIB General (2/1/95)	952.0	945.0	934.0	1318.00 10/5/94	894.00 20/3/95
Japan Nikkei 225 (16/5/49)	15904.85	(c)	16129.96	21552.81 13/6/94	15904.85 22/3/95
Nikkei 300 (1/10/82)	232.97	(c)	236.50	311.71 13/6/94	232.97 22/3/95
Japan Topix (4/1/68)	1265.10	(c)	1280.22	1712.73 13/6/94	1265.10 22/3/95
2nd Section (4/1/68)	1658.39	(c)	1677.48	2542.65 6/7/94	1658.39 22/3/95
Malaysia KLSE Comp.(4/4/86)	959.20	964.84	969.35	1314.46 5/1/94	840.87 24/1/95
Mexico IPC (Nov 1978)	(u)	(c)	1581.24	2881.17 8/2/94	1447.62 27/2/95
Netherland CBS TtlRtnGen(End 83)	426.7	427.5	427.9	454.90 31/1/94	408.30 21/6/94
CBS All Shr (End 83)	267.7	268.1	268.4	294.80 31/1/94	257.90 21/6/94
New Zealand Cap. 40 (1/7/86)	1950.44	1961.36	1958.51	2439.64 3/2/94	1878.89 12/12/94
Norway Oslo SE(Ind)(2/1/83)	1061.86	1068.50	1070.73	1211.10 28/2/94	980.91 21/6/94
Philippines Manila Comp (2/1/85)	2294.04	2308.60	2305.91	3308.37 4/1/94	2288.37 15/3/95
Portugal BTA (1977)	2723.5	2720.4	2724.0	3226.80 18/2/94	2612.80 20/6/94
Singapore SES All-S'pore(2/4/75)	500.84	503.55	504.26	641.61 4/1/94	472.80 23/1/95
South Africa JSE Gold (28/9/78)	1397.0♥	(c)	1471.3	2534.00 7/9/94	1397.00 22/3/95
JSE Ind. (28/9/78)	6681.0♥	(c)	6692.3	6984.40 30/12/94	5446.00 19/1/94
South Korea KoreaCmpEx(4/1/80)**	941.77	946.07	956.87	1138.75 8/11/94	855.37 2/4/94
Spain Madrid SE (30/12/85)	286.57	287.57	(c)	358.31 31/1/94	285.43 9/3/95
Sweden AffarsvardsGen (1/2/37)	1460.20	1473.40	1473.10	1608.90 31/1/94	1334.70 6/7/94
Switzerland Swiss Bk Ind (31/12/58)	1195.93	1194.73	1198.57	1423.34 31/1/94	1138.72 27/10/94
SBC General (1/4/87)	885.56	886.05	889.4	1093.29 31/1/94	870.58 13/3/95
Taiwan WeightedPr.(30/6/66)**	6479.01	6524.87	6541.58	7191.13 1/11/94	5194.63 19/3/94
Thailand Bangkok SET (30/4/75)	1210.13	1184.11	1184.82	1753.73 4/1/94	1135.69 18/3/95
Turkey Istanbul Cmp.(Jan 1986)	36008.0	35316.5	34912.3	36008.00 22/3/95	12980.70 24/3/94
WORLD MS Capital Int (1/1/70)§	624.6*	626.6	627.3	649.90 2/11/94	591.80 1/11/94
CROSS-BORDER Eurotrack 100(26/10/90)	1250.31	1248.99	1244.62	1540.18 31/1/94	1222.41 13/3/95
Euro Top-100 (26/6/90)	1149.70	1150.38	1148.80	1311.01 2/2/94	1117.34 9/3/95
JCapelDrgns ♣	(u)	304.54	305.41	395.18 5/1/94	281.48 23/1/95
Barings Emerg.(7/1/92)	(u)	126.31	127.59	191.78 26/9/94	117.15 10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40							
Mar	1820.0	1825.0	+1.0	1844.0	1817.0	22,482	31,565
Apr	1830.5	1835.5	+1.0	1849.0	1830.0	694	10,750
■ DAX							
Jun	1992.00	1990.00	-2.00	2006.0	1897.0	14,502	-
Sep	2023.00	2014.50	+1.00	2026.0	2015.0	82	-
■ OMX							
Mar	1134.00	1128.00	-11.0	1134.00	1123.25	7,136	12,715
Apr	1135.00	1127.00	-9.50	1135.00	1124.00	6,085	13,717
■ SOFFEX							
Apr	2505.0	2504.0	-4.00	2514.0	2496.0	4,384	17,196
Jun	-	2470.5	-	-	-	5	5

** Sat Mar 18: Taiwan Weighted Price 6567.96, Korea Comp Ex 951.34. ♣ JC Dragons index: official recalculations - Mar 13 293.62; Mar 14 291.93; Mar 15 298.29; Mar 16 298.25; Mar 17 303.48; Mar 20 305.41. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 22 - 1978.07 -8.06

US INDICES

Dow Jones	Mar 21	Mar 20	Mar 17	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4072.81	4083.68	4073.65	4083.68 (20/3/95)	3593.35 (4/4/94)	4083.68 (20/3/95)	41.22 (2/7/32)
Home Bonds	97.64	97.49	97.68	105.61 (21/1/94)	95.56 (30/12/94)	105.77 (18/10/93)	54.99 (1/10/81)
Transport	1586.37	1597.32	1580.78	1862.29 (2/2/94)	1371.88 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	185.61	186.07	187.52	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4122.41 (4115.15) Low 4046.67 (4051.17) (Theoretical♦)
Day's high 4109.27 (4098.87) Low 4062.24 (4071.57) (Actual♦)

Standard and Poors	Mar 21	Mar 20	Mar 17	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	495.07	496.15	495.52	496.15 (20/3/95)	438.92 (4/4/94)	496.15 (20/3/95)	4.40 (1/6/32)
Industrials♥	590.50	590.89	589.39	590.89 (20/3/95)	510.05 (21/4/94)	590.89 (20/3/95)	3.62 (21/6/82)
Financial	45.53	45.79	45.84	48.94 (14/6/94)	39.87 (22/11/94)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	267.58	268.05	267.84	268.05 (20/3/95)	243.14 (4/4/94)	268.05 (20/3/95)	4.46 (25/4/42)
Amex Mkt Val	455.65	458.18	456.02	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	809.78	810.49	808.33	818.49 (20/3/95)	693.79 (24/6/94)	818.49 (20/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 17	Mar 10	Mar 3	Year ago
Dow Jones Ind. Div. Yield	2.69	2.70	2.73	2.62
	Mar 15	Mar 8	Mar 1	Year ago
S & P Ind. Div. yield	2.33	2.36	2.36	2.44
S & P Ind. P/E ratio	17.60	17.32	17.32	26.62

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
RJR Nabisco	26,411,100	6⅛	+⅛
Motorola	7,344,800	53⅞	-¾
Kmart	5,873,300	12⅞	+⅛
Chrysler	5,144,800	38⅝	-1¼
Philip Morris	4,604,000	66⅞	+¼
Compaq	4,579,300	33¾	+½
Micron	3,842,800	74¾	+1
Merck	3,497,700	44⅝	—
Telefonos	3,225,800	25	+½
Circus Ent	2,688,900	26½	-¼

■ TRADING ACTIVITY

● Volume (million)

	Mar 21	Mar 20	Mar 17
New York SE	367.902	301.723	415.794
Amex	16.343	16.347	17.187
NASDAQ	304.942	249.704	285.301
NYSE			
Issues Traded	2,970	2,955	2,950
Rises	965	1,058	861
Falls	1,199	1,089	1,313
Unchanged	806	808	776
New Highs	86	70	75
New Lows	32	35	32

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	499.25	498.90	-0.45	499.25	498.70	81,931	188,630
Sep	503.40	503.30	-0.30	503.40	503.30	569	5,870
■ Nikkei 225							
Jun	16190.0	16070.0	-110.0	16290.0	15930.0	21,433	116,314
Sep	16390.0	16290.0	-	16390.0	16290.0	2	13

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ∅ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, March 22, 1995.

	Stocks Traded	Closing Prices	Change on day
Hachijuni Bank	9.9m	1,100	+10
Gunma Bank	9.8m	1,000	-10
Daisue Const	6.6m	520	-4
Daiwa Sec	4.4m	878	-63
Nippon Steel	4.0m	312	-12
Bk of Yokohama	3.9m	685	-04
Nomura Sec	3.8m	1,460	-60
Sagami Railway	3.5m	440	-5
Tobu Railway	3.5m	558	-7
NKK Corp	3.4m	225	-7

4 pm close March 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
14¼	12⅝	AAR	0.48	3.8	21	79	13	d12⅝	12¾	
23⅛	19¼	ALPharmaA	0.18	0.8	282	202	23	22½	22⅝	-⅛
38¼	35	AMP	0.92	2.5	20	5628	36⅞	36⅝	36⅞	
63¾	53⅜	AMR			27	3092	63⅛	62¾	62⅞	-⅛
47⅞	41⅞	ASA	1.71	3.8	30	1117	45⅞	45⅜	45½	
38⅜	30¾	AbbtL	0.84	2.2	20	11282	38⅛	37¾	38	+⅛
14	12	AbitibiPr	0.50	3.6	12	487	u14	13⅝	13¾	+⅛
24⅜	22⅛	ABM Ind	0.60	2.7	13	281	22⅜	d22	22	-⅜
16⅝	14½	Acptncein			8	225	14½	d14¼	14⅜	-⅛
25⅞	21⅞	ACE Ltd	0.44	1.8	7	1471	24	23⅝	23⅞	-⅛
9¾	8½	ACM Gvt In	0.90	10.4	7	50	8⅝	d8½	8⅝	+⅛
7½	6½	ACM GvOpp	0.66	9.4		226	7	6¾	7	+⅛
7½	5¾	ACM Gvt Sp	0.75	12.2		257	6¼	6⅛	6⅛	
8⅝	7⅜	ACM Gvt Se	0.90	12.0		277	7⅝	7½	7½	
8½	7⅝	ACM Man	1.08	13.9		64	7⅞	7¾	7¾	-⅛
7⅝	7⅛	ACM Managd	0.72	9.9		478	7⅜	d7⅛	7¼	+⅛
16¼	10¼	AcmeCIv	0.48	3.1	9	199	15⅞	14½	15⅝	+1
21½	12⅜	Acme Elect			20	111	17⅞	17⅝	17½	-¼
34½	31⅛	Acordia	0.72	2.2	16	10	32½	32⅜	32½	
11⅜	8⅝	Actava	0.36	3.6	7	712	10⅜	10	10	-¼
16¾	11¾	Acuson			18	911	11¾	d11⅝	11¾	-⅛
16⅝	15⅝	Adams Expr	0.36	2.2	0	74	16⅜	16¼	16¼	
[illegible]										

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FT

FINANCIAL TIMES

Continued on next page

4 pm close March 22

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close March 22

AMEX COMPOSITE PRICES

4 pm close March 22

Prices data supplied by Telekurs

AMERICA

Muted Dow response to higher trade deficit

Wall Street

US share prices were flat to lower yesterday morning as the market paid little heed to a sharp increase in the trade deficit, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was 1.38 softer at 4,071.23. The Standard & Poor's 500 eased 0.26 to 494.81, while the American Stock Exchange composite gained 0.13 at 455.78 and the Nasdaq composite shed 1.66 to 808.12. New York SE volume was 186m shares.

Reaction to the $12.2bn trade deficit was relatively muted across the financial markets, although the dollar – which had stabilised somewhat on Tuesday – resumed its slide yesterday. The bond market slipped $\frac{5}{16}$ of a point at the long end, while the short end remained unchanged.

Analysts said that the market could show a delayed reaction to the data and warned that the price levels seen through the morning might not hold over the course of the day, or the week, especially if the dollar was to post a substantial decline.

Cyclical shares received support from rising commodity prices, with the Morgan Stanley cyclical index up slightly in spite of declines in the broader indices.

International Paper and Phelps Dodge, the copper company, were among the biggest gainers on the cyclical index, rising 1.4 and 1.9 per cent respectively. International Paper put on $1 at $73. Phelps Dodge added $1 at $53.

Lehman Brothers was off $1¼ at $18 after Moody's Investor Services downgraded the investment bank's credit rating late on Tuesday. Giving some support to the bank's shares, however, was a stronger than forecast earnings report for the first quarter.

Fingerhut, the catalogue company, lost more than 20 per cent of its value and was one of the most actively traded issues on the NYSE. The shares fell $2⅞ to $11⅝ after the company said it expected first-quarter earnings to be below analysts' expectations. Piper Jaffray, the securities firm, downgraded the company to "market performer" from "buy".

A rating boost did not help Merck or Bristol-Myers Squibb. Merck dipped $½ to $44⅛ and Bristol-Myers Squibb was off $⅜ at $64⅝, although an analyst at Smith Barney upgraded both companies to "buy". The rating change was based on a study of a cholesterol lowering drug marketed by the two companies that showed it could reduce costs for some heart patients.

Technology issues traded on the Nasdaq were mixed. Lotus Development declined $1⅛ to $40⅞. Oracle Systems fell $1¼ to $33 and Novell retreated $⅞ to $19¼. Meanwhile, Apple Computer gained $1⅛ at $37⅞, Microsoft was $$\frac{3}{16}$ higher at $70⅝ and Intel added $¾ at $83⅞.

Canada

Toronto posted modest losses at midsession, with the TSE 300 composite index 3.4 lower at 4,242.80 as profit-taking crept in after the market's 12-day rally.

Traders said the market showed clear signs of cooling off. The heavily weighted gold sector led declines, with precious metals falling 15.65 to 9,527.46. On the upside, gains were led by media, base metals, and real estate sectors.

Latin America

SAO PAULO's early 4 per cent gain was trimmed to a rise of 1 per cent by noon on uncertainty over Brazil's February trade balance figures, expected later in the week. The Bovespa index was up 323 to 30,384 at 1 pm in moderate turnover of R$146m ($161.3m).

The market opened firmly, still reassured by the central bank president's testimony in Congress on Tuesday, denying rumours of government leaks of a new foreign exchange policy. However, the mood was soured late in the morning by market rumours that the country's trade deficit for last month could reach more than $1bn, compared with February's $290m.

BUENOS AIRES surrendered early gains to trade 1.3 per cent lower by late morning. The weighted Merval index was 4.59 down at 340.75.

SOUTH AFRICA

Gold shares fell 5 per cent in Johannesburg as the bullion price weakened and the rand strengthened, prompting worries that US investors might become heavy sellers overnight. Golds dropped 73.4 to 1,397.9, sluggish industrials eased 11.3 to 6,681 and the overall index shed 41.4 to 5,268.4. De Beers slipped 75 cents to R86.75 and Anglos declined R2.75 to R199.50.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Mar. 17 1995	% Change over week	% Change on Dec '94	Local currency terms Mar. 17 1995	% Change over week	% Change on Dec '94
Latin America	(257)	372.64	+3.1	-35.8			
Argentina	(30)	576.59	+14.6	-21.2	355,071.03	+14.4	-21.2
Brazil	(72)	259.50	+7.9	-32.5	869.55	+9.6	-28.6
Chile	(36)	699.07	+8.9	-10.9	1,145.62	+8.4	-9.1
Colombia[1]	(16)	785.70	-0.2	-3.2	1,201.78	-0.5	+0.5
Mexico	(71)	284.07	-9.0	-53.3	902.93	+0.8	-30.1
Peru[2]	(20)	145.65	+19.3	-18.3	200.35	+19.0	-15.8
Venezuela[3]	(12)	403.04	-1.3	-18.6	1,573.12	-1.3	-18.6
Asia	(659)	234.05	+1.3	-6.2			
China[4]	(20)	68.80	+1.3	-9.3	73.27	+1.3	-9.5
South Korea[5]	(159)	132.30	+3.1	-3.3	134.89	+2.4	-4.8
Philippines	(25)	242.18	+3.1	-18.8	300.80	+2.8	-14.4
Taiwan, China[6]	(93)	152.80	+2.3	-7.1	149.25	+2.0	-8.0
India[7]	(103)	103.95	-3.1	-15.8	116.14	-4.0	-15.6
Indonesia[8]	(42)	91.27	-1.4	-8.5	110.36	-1.4	-7.3
Malaysia	(114)	266.32	+2.5	-0.9	250.75	+2.5	-1.0
Pakistan[9]	(36)	299.14	-8.6	-18.3	419.09	-8.6	-18.1
Sri Lanka[10]	(19)	147.04	+2.2	-14.5	158.63	+2.3	-14.5
Thailand	(68)	353.43	+0.5	-7.8	346.90	+0.1	-9.3
Euro/Mid East	(147)	122.14	+0.9	+3.1			
Greece	(40)	220.88	-1.9	-2.1	339.95	-2.9	-7.5
Hungary[11]	(5)	118.70	+1.4	-21.8	167.31	+5.5	-19.0
Jordan	(8)	155.51	-0.7	+3.7	225.00	-0.9	+1.2
Poland[12]	(16)	376.49	-4.4	-19.8	554.01	-6.2	-23.1
Portugal	(29)	123.90	+2.8	+2.3	125.18	+1.4	-5.5
Turkey[13]	(44)	134.97	+2.1	+10.9	2,654.91	+2.0	+20.0
Zimbabwe[14]	(5)	216.61	-3.0	-11.5	265.82	-3.1	-11.8
Composite	(1063)	250.79	+1.9	-18.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992: (13)Aug 4 1989; (14)June 2 1993.

Istanbul's market index continued its record-setting ways this week, with yesterday's close marking a fourth consecutive all-time high, after last week's downward correction, writes Michael Morgan.

The 100-share composite index rose 691.47 to 36,008.00 yesterday, up 6.5 per cent this week and 23.6 per cent since the start of the year. Turnover was a record TL11,139bn. Analysts cautioned, however, that in dollar terms the market is sharply below the levels seen at the start of last year.

The market has been unperturbed by the Turkish army's incursions into northern Iraq in recent days, believing that the action could soon bring a decisive end to a long standing conflict with PKK guerrillas. Instead, investors have concentrated on switching from shares with high premiums to cheaper stocks as the mood has improved following agreement between the coalition partners on a new government programme, and the outcome of Tuesday's one-year bond auction, the first since May last year.

Longer term, the recent relative stability of the Turkish lira against the dollar, in part because of the global weakness of the US currency, has been one of the keys to the market's improvement, says Mr Eli Koen at Lehman Brothers.

Mr Koen notes that the treasury's ability to absorb the excess liquidity in the market at reduced interest rates, and at relatively longer term maturities, has helped the market, although the flow of funds to domestic debt instruments has left many industrialists worrying about the negative effect on investment and growth.

The relative economic stability has been accompanied by a reduction in political uncertainty, says Mr Koen, while the long awaited agreement between Turkey and the European Union, which paves the way for full customs union from next January, has also contributed significantly to the level of current optimism.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 21 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 20 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	160.97	0.7	151.02	90.81	118.21	147.39	0.8	4.03	159.93	149.88	90.41	116.18	146.52	180.82	157.95	171.68
Austria (16)	186.96	-1.3	175.41	105.48	137.30	137.25	-0.2	1.18	189.37	177.46	107.04	137.56	137.54	198.89	167.46	188.11
Belgium (35)	177.14	-1.8	166.19	99.94	130.08	127.32	-0.8	4.20	180.36	169.02	101.95	131.02	128.34	180.87	161.53	168.38
Brazil (28)	112.62	4.9	105.66	63.53	82.70	186.15	3.6	1.68	107.35	100.60	60.68	77.98	179.72	-	-	-
Canada (103)	131.49	0.1	123.36	74.18	96.56	134.00	-0.1	2.61	131.35	123.10	74.25	95.42	134.07	141.01	120.54	138.08
Denmark (33)	260.08	-0.7	244.00	146.72	190.98	200.09	0.1	1.56	261.88	245.42	148.03	190.24	199.82	275.27	236.61	263.71
Finland (24)	182.48	-1.8	171.20	102.95	134.00	168.54	-1.3	1.47	185.79	174.11	105.02	134.97	170.73	201.41	133.88	145.77
France (101)	169.94	-0.3	159.43	95.87	124.79	133.29	0.1	3.21	170.49	159.77	96.37	123.85	133.13	180.93	157.79	176.18
Germany (58)	146.84	-1.5	137.76	82.84	107.83	107.83	-0.4	2.05	149.09	139.72	84.28	108.31	108.31	154.61	132.08	135.02
Hong Kong (56)	347.61	0.0	326.12	196.11	255.27	345.03	0.0	3.86	347.65	325.80	196.51	252.55	345.05	416.42	277.40	355.47
Ireland (16)	207.03	0.0	194.23	116.80	152.03	184.80	0.5	3.56	206.96	193.95	116.99	150.35	183.95	217.10	177.56	190.73
Italy (58)	69.31	5.3	65.02	39.10	50.90	88.11	3.5	1.79	65.81	61.67	37.20	47.81	85.17	97.78	65.45	74.79
Japan (484)	143.95	0.2	135.06	81.21	105.71	81.21	0.0	0.94	143.67	134.64	81.21	104.37	81.21	170.10	136.95	155.14
Malaysia (97)	474.10	-0.9	444.79	267.47	348.16	465.61	-0.9	1.69	478.59	448.51	270.53	347.67	470.05	594.76	398.16	445.26
Mexico (18)	704.50	-3.0	660.94	397.45	517.34	5438.04	-0.0	2.00	726.09	680.45	410.44	527.46	5438.04	2414.12	647.81	2057.91
Netherland (19)	229.41	-1.0	215.23	129.43	168.47	165.71	0.0	3.72	231.72	217.16	130.99	168.34	165.78	232.41	191.28	198.42
New Zealand (14)	73.20	0.1	68.68	41.30	53.76	60.15	0.0	4.90	73.10	68.51	41.32	53.10	60.14	77.20	62.05	69.97
Norway (23)	208.22	-0.8	195.34	117.47	152.90	177.95	-0.1	2.22	209.97	196.77	118.69	152.53	178.22	216.03	177.53	197.46
Singapore (44)	356.68	-0.4	334.63	201.23	261.93	232.34	-0.4	1.85	358.22	335.71	202.49	260.23	233.31	401.38	294.66	294.66
South Africa (59)	337.92	0.0	317.03	190.64	248.15	267.94	0.0	2.54	337.87	316.63	190.99	245.44	267.94	342.00	205.56	266.50
Spain (38)	125.17	-1.0	117.43	70.62	91.92	122.99	-0.2	4.53	126.45	118.50	71.48	91.85	123.28	150.21	124.81	144.51
Sweden (48)	237.90	-0.2	223.19	134.21	174.70	256.41	-0.1	2.20	238.44	223.45	134.78	173.22	256.67	247.40	196.70	215.40
Switzerland (47)	176.16	-1.2	165.29	99.39	129.38	128.01	-0.4	1.91	178.37	167.16	100.83	129.57	128.56	179.86	149.91	159.09
Thailand (46)	137.13	0.1	128.66	77.37	100.70	131.57	0.1	3.23	137.05	128.43	77.47	99.56	131.49	-	-	-
United Kingdom (209)	200.49	0.3	188.10	113.11	147.23	188.10	0.4	4.31	199.97	187.40	113.04	145.27	187.40	205.58	181.11	195.20
USA (511)	202.35	-0.2	189.84	114.16	148.59	202.35	-0.2	2.80	202.75	190.01	114.61	147.29	202.75	202.75	178.95	190.77
Americas (660)	184.88	-0.2	173.45	104.30	135.76	156.39	-0.2	2.78	185.18	173.54	104.68	134.52	155.63	-	-	-
Europe (719)	173.33	-0.2	162.62	97.79	127.28	147.49	0.2	3.27	173.74	162.82	98.21	126.21	147.25	176.01	160.59	167.42
Nordic (128)	228.69	-0.6	214.56	129.02	167.94	205.42	-0.2	1.96	230.11	215.64	130.07	167.16	205.93	235.72	137.70	208.64
Pacific Basin (809)	152.55	0.2	143.12	86.06	112.03	91.43	0.0	1.31	152.32	142.74	86.10	110.65	91.43	176.66	145.93	162.57
Euro-Pacific (1528)	161.12	0.0	151.15	90.89	118.31	112.72	0.1	2.19	161.15	151.02	91.09	117.06	112.64	175.14	154.73	164.44
North America (614)	197.96	-0.2	185.72	111.68	145.37	197.69	-0.2	2.79	198.33	185.86	112.11	144.07	198.08	198.33	175.67	187.49
Europe Ex. UK (516)	155.01	-0.5	145.43	87.45	113.83	124.88	0.0	2.69	155.82	146.03	88.08	113.19	124.83	158.19	144.12	148.86
Pacific Ex. Japan (325)	236.44	-0.1	221.83	133.39	173.63	208.73	-0.1	3.27	236.58	221.71	133.75	171.87	209.89	273.13	211.19	236.29
World Ex. US (1736)	161.52	-0.0	151.54	91.13	118.61	115.93	0.1	2.20	161.53	151.37	91.31	117.34	115.84	176.65	155.42	165.94
World Ex. UK (2044)	171.24	-0.1	160.65	96.60	125.75	138.70	-0.1	2.22	171.43	160.65	96.90	124.53	136.79	178.59	163.48	171.05
World Ex. Japan (1763)	191.30	-0.2	179.47	107.92	140.48	179.10	0.0	2.99	191.64	179.59	108.33	139.21	179.16	192.00	176.34	184.74
The World Index (2247)	173.80	-0.1	163.05	98.05	127.63	141.17	0.0	2.43	173.93	163.00	98.32	126.35	141.20	180.80	165.92	173.18

Latest prices were unavailable for this edition. Markets closed 21/3/95: Japan, Mexico and South Africa.

EUROPE

Paris posts its fifth consecutive gain

Bourses stayed nervous, *writes Our Markets Staff.* Where they moved, individual share prices seemed most affected by rumours or trading gambits, such as currency fluctuations, rights issue stories or Monday's news of possible steel product price cuts in the US.

PARIS gained ground for the fifth successive session. A number of strong corporate stories, combined with an easing of political concerns, was said to be the main driving force, as the CAC-40 index rose 4.20 to 1,817.98.

There was a suggestion among some dealers that a sizeable part of the day's activity stemmed from foreign investment. Turnover on the monthly settlement market totalled FFr3.4bn, with Carrefour again the most actively traded stock. It climbed FFr37 to FFr2,357 on turnover of FFr275m.

Among insurers, UAP rose FFr2.40 to FFr123 after Tuesday's strong 1994 results. AGF, which announced poor results and cut the dividend, was the day's worst performer. The shares tumbled FFr14.80 to FFr115. Elsewhere among financials, BNP put on FFr2.40 at FFr235.80 ahead of its annual figures.

Short-covering was said to be the main reason for the strong rebound at Crédit Lyonnais. The ailing bank's investment certificates jumped FFr22.50 to FFr240 to produce the day's sharpest individual gain.

Eurotunnel was heavily traded, and marked down on worries about another cash call, which the Channel tunnel operator subsequently denied. The shares dropped FFr1.20 to FFr19.

FRANKFURT played more games in the engineering sector. Deutsche Babcock recovered DM4.90 or 3.2 per cent to DM156.50 after a precipitous decline, and Linde took its place on the piste with a drop of DM39 or 4.6 per cent to DM806.

Babcock, which majors in power generation and process plant, had been sold down heavily in advance of last week's results, with analysts saying that traders were shorting the stock; Linde, the fork lift specialist, was renewing a bout of weakness, which began a month ago when it announced a surprise one-for-five rights issue.

Equities generally stayed worried about D-Mark strength and its implications for German corporate earnings. The Dax index closed the post bourse 6.08 lower at an Ibis-indicated 1,978.07; turnover fell from DM5.6bn to DM5.1bn.

ZURICH was held back by currency uncertainties and the higher than expected US trade deficit, and the SMI index slipped 3.6 to 2,501.9.

Against the trend, Sandoz picked up SFr17 or 2.4 per cent to SFr722 on speculation of a possible spin-off of the group's agrochemical division. The stock has also been finding recent favour with analysts ahead of the 1994 results next Monday.

Georg Fischer, down 3.8 per cent on Tuesday in spite of its return to profit last year, came under renewed pressure on further consideration of its capital increase proposals. The shares dipped to a low of SFr1,355 before picking up to finish SFr10 down at SFr1,400.

MILAN remained subdued by political uncertainties, with the lira's renewed weakness adding to the market's woes. The Comit index put on 4.25 at 602.83, but the real-time Mibtel index finished 143 or 1.5 per cent down at 9,530.

Telecommunications stocks came under pressure as investors were unnerved by a request from the president of the anti-trust board to delay the relaunch of Telecom Italia's GSM cellular system until after April. Telecom Italia lost L118 at L3,907 and Stet fell L60 to L4,380.

Banks also underperformed, with BCI L117 down at L3,282 and Credito Italiano L43 off at L1,582. Banco di Napoli was unchanged at L1,125, after Tuesday's resignation of all but one member of the board after record 1994 losses.

Potential steel price cuts linked AMSTERDAM, where Hoogovens dropped Fl 2.80 or 4.3 per cent to Fl 62.50, with MADRID, where Acerinox, the stainless steelmaker, fell Pta810 or 6.1 per cent to Pta12,450. The AEX and Madrid general indices fell by 1.51 to 392.86 and 1.0 to 266.57 respectively.

HELSINKI continued to slide in the wake of Sunday's general election, extending the decline for the Hex index to around 11 per cent this year.

Talks on the formation of a broadly based coalition government are expected to drag on for some time – "possibly weeks", said one dealer yesterday. He said that uncertainty was not what the stock market needed right now. The Hex index closed at 1,631.14, down 2.5 per cent. Nokia ordinary fell FM27 to FM645 in spite of a positive note on the company from Nikko Securities. Bank shares stayed weak. KOP shed FM0.10 to FM4.20.

WARSAW fell through the 6,000 level after a two-week downtrend. The Wig index ended 92.5 or 1.5 per cent off at 5,977.1, near its 1994-95 low of 5,926.4. Analysts said speculators were unloading shares in an attempt to pierce this support level.

TEL AVIV finished weaker for the third consecutive session. The Mishtanim index slipped 2.76 to 162.64, with speculators, rather than investors, in control.

FT-SE Actuaries Share Indices

Mar 22 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1256.48	1253.87	1254.83	1256.12	1254.09	1253.78	1251.05	1250.31
FT-SE Eurotrack 200	1362.90	1361.12	1363.48	1364.01	1363.59	1363.53	1361.19	1359.80

	Mar 21	Mar 20	Mar 17	Mar 16	Mar 15
FT-SE Eurotrack 100	1248.99	1244.62	1233.19	1240.54	1239.56
FT-SE Eurotrack 200	1358.03	1357.60	1341.86	1336.98	1332.98

Base 1000 (26/10/90); High/day: 100 - 1258.54, 200 - 1365.43 Low/day: 100 - 1248.77 200 - 1358.37 † Partial

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

ASIA PACIFIC

Hi-tech sell-off leaves Nikkei below 16,000

Tokyo

The Nikkei index fell below 16,000 for the first time since November 1992, following selling of high-technology stocks by overseas fund managers and profit-taking by corporate investors, *writes Emiko Terazono in Tokyo.*

The 225 average closed 225.11 or 1.4 per cent down at 15,904.85, just off the day's low of 15,901.95 and after a high of 16,244.82. Equities turned upwards initially, due to the rise on Tuesday in the Chicago futures market, but selling of high-tech stocks depressed sentiment, while dealers also liquidated their positions.

The Topix index of all first section stocks fell 15.12 or 1.2 per cent to 1,265.10 and the Nikkei 300 by 3.53 or 1.5 per cent to 232.97. Declines overwhelmed advances by 761 to 271, with 139 issues unchanged. Volume was 356.8m shares, against 310m; average daily trading volume totalled 341m shares last week, according to the Tokyo SE. In London the ISE/Nikkei 50 index firmed 2.03 to 1,036.16.

Traders said the rise in the yen prompted overseas investors to lock in their profits, while individual investors were seen selling construction stocks. Margin position figures released by the Tokyo SE yesterday reflected pessimism among individual investors, who had led the rally in the construction sector on the post-quake construction theme late in January. The long margin balance for last week fell Y42.723bn from the previous week to Y1,538bn. The decline followed an upturn in the preceding week after a four-week retreat.

Stockbroking shares lost ground on selling by domestic institutions and overseas investors. The sector was the biggest loser of the day, dropping 4.7 per cent. All Big Four brokers hit new lows since the start of 1994. Daiwa Securities lost Y63 at Y878 and Nomura Securities Y60 at Y1,460.

Steel companies were the next largest losers, down 2.8 per cent. Nippon Steel fell Y12 to Y312 and NKK Y7 to Y225.

High-technology stocks declined on the rise in the yen. Matsushita Electric Industrial fell Y30 to Y1,250.

In Osaka, the OSE average dipped 176.53 to 17,686.75 in volume of 304.3m shares.

Roundup

With the exception of Bangkok most regional stock markets had a dull day, moving lower in unexciting turnover.

HONG KONG reacted to lower than expected profits at Wharf (Holdings), the Hang Seng index closing 71.20 lower at 8,509.11. Wharf fell 95 cents to HK$25.85 after announcing a 13.8 per cent rise in 1994 net profits to HK$3.10bn, against analysts' expectations of HK$3.2bn to HK$3.79bn.

SINGAPORE fielded selling of Far East Levingston Shipbuilding, off 35 cents at S$5.55 as the Straits Times Industrial index shed 8.04 to 2,081.03.

Yeo Hiap Seng, which gained 16 cents at S$4.26, was expected to become the subject of a corporate tussle following the purchase of a substantial stake in the food and beverage group by a Malaysian, Mr Quek Leng Chan.

KUALA LUMPUR drifted in subdued trade, the KLSE composite index falling 5.64 to 959.20. However, the news that Malaysian Plantations is buying a stockbroking firm lifted MP by 28 cents to M$2.37.

BANGKOK sprang to life, with an injection of foreign funds helping to reverse the recent run of lacklustre trading. Leading stocks were in demand and the SET index closed at its best of the session at 1,210.13, up 26.02.

TAIPEI opened steeply lower as worries about the reimposition of capital gains tax and an official reduction in the margin loan lending ceiling put investors on the defensive. The stock exchange has proposed that the ceiling on margin loan lending be cut from 60 to 50 per cent.

But the mood changed in the afternoon session as some of the bigger investment funds moved in as buyers, picking up stock in the electronics and textiles sectors. The main index ended at 6,479.01, down 45.06, but more than 120 points above the day's low.

MANILA fell across the board, with declines among leading stocks outstripping rises by more than two to one. Dealers said the market had suffered from competition from the recently introduced short Treasury bills. In the absence of favourable corporate news, investors were said to be paying greater attention to yield considerations. The main composite shares index dipped 14.56 points to 2,294.04.

SYDNEY suffered a turnround in sentiment, with Tuesday's bargain hunting on the back of dollar weakness giving way to currency worries and doubts about the size of Australia's current account deficit. The All Ordinaries index receded 22.3 to 1,892.4.

FINANCIAL TIMES SURVEY

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GENEVA

Escape from the city: A leisure guide for business visitors: Page V

Thursday March 23 1995

Model city with an eye on the future

Geneva is still lagging behind the rest of Switzerland in recovering from the recession, writes Ian Rodger. But there are also unmistakeable signs of recovery

To the casual *observer* – and to many professional analysts – Geneva is the model of the near-perfect city.

It sits in a beautiful location at the western end of the eponymous *alpine lake*, protected on the north by the Jura mountains and on the south by the Mont Blanc massif.

It is orderly, in the Swiss way, *with excellent public* services, but it also accommodates an abrasive Latin clash of ideas on most issues that would be unacceptable in German Switzerland.

Indeed, its most impressive quality is probably its tolerance. More than 35 per cent of its population is non-Swiss, yet *there is rarely any hint of the* ethnic tension that torments other cities with much lower immigrant levels.

On the contrary, the Genevese *seem prepared to welcome* even more foreigners, especially in these relatively hard times if they are coming to create jobs.

Confusingly, the city of Geneva has long since expanded beyond its boundaries around the point at which the River Rhone flows out of the *lake. Today*, the metropolitan area extends throughout the small canton, which is also called Geneva, and is connected by only a two-mile-wide corridor to the rest of Switzerland.

Geneva's fame is far greater than its *size* would normally warrant. The population of the entire canton, which still pretentiously styles itself "The Republic and Canton of Geneva", *is slightly under* 400,000. Yet it hosts the offices of several important international organisations, both governmental and non-governmental, and is regularly the venue for conferences and negotiations of global consequence.

Geneva's weaknesses – and it *does have some – stem* mainly from a complacency that crept into its leadership and citizens in the 1970s and early 1980s.

It was a period when international organisations, both governmental and non-governmental, were steadily expanding their Geneva offices. Several multinational companies, mainly from the US, had *picked Geneva as their European* base, and they too were growing.

It all came too easily, and the Genevese were only too *happy to ride on the prosperity* spun off from their well-paid guests. Their government was always ready to cushion any inconvenience, such as fast-rising housing prices.

The atmosphere soured suddenly in 1989 when a property price bubble burst, leaving many speculators and con*struction companies bust and* commercial banks holding a lot of overvalued buildings.

Unemployment had hitherto been unknown in Geneva.

Indeed, the city had long relied on thousands of seasonal workers for the building trades and some 30,000 daily commuters from neighbouring communities in France to keep its services humming.

Coincidentally, the whole of Switzerland fell into recession, aggravating the unemployment problem as well as depressing *government* revenues. Deficits of the Geneva cantonal government, long the most socialistic in Switzerland, soared.

There was more bad news to come, as the United Nations and other international organisations tightened their belts, and other cities started com*peting more aggressively* with Geneva to attract them.

Geneva's leaders finally started to wake up in 1991 to the possibility that their community *could be facing* a dangerous decline.

The cantonal government abandoned its aloof and rigid stance towards inward investment. Residence permits, formerly grudgingly granted only *after* months of wrangling, became instantly available to anyone who would create jobs.

International organisations were actively courted and asked *if their needs were being* met. Plans were laid for sprucing up the increasingly dowdy Palais des Nations and the canton has agreed to build a Mai*son Universelle to rent low*-cost office space to hard-pressed delegations from developing countries.

The city's very large finan*cial community, sensing that it* too was threatened, set up a foundation in 1991 to try and find new sources of growth, eventually alighting on the idea of *making* Geneva an international centre for advanced education in portfolio management.

Still, it was difficult to get wide *political* support for *these* renewal efforts. The socialist-controlled city government would frequently disagree with the cantonal government's pro*posals*, and several got bogged down.

In 1993, the chamber of commerce launched a year-long campaign under the upbeat title *Genève Gagne* (Geneva is winning), to explain to people the urgency of the situation. And in November of that year, Geneva's voters elected a *united cantonal government of* centre and right-wing politicians, excluding the feisty socialists for the first time since 1936.

*Today, Geneva is still lag*ging behind the rest of Switzerland in recovering from the recession. The unemployment level is the highest in the country at *7.8* per cent and commercial banks are still suffering from the after-effects of the burst property bubble.

Even the current slump of the *dollar is hurting, partly* because so many of the diplomats in the city are on dollar-based salaries, but also because so many Geneva peo*ple work in banks and feel the* instability around them.

But there are also unmistakeable signs of regeneration.

Mr Ivan Pictet, chairman of the *chamber of commerce and* a managing partner of bankers Pictet & Cie, *says a recent sur*vey of chamber members indicated *that twice* as many planned to take on workers as to reduce them.

Mr Pictet, who has been a driving force behind the can*ton's renewal effort, says* the building sector, which saw its volume of business drop 40 per cent from 1989 to 1993, started to recover last year.

He is also very optimistic about the impact of the new World Trade Organisation (WTO) establishing its headquarters in Geneva. Not only *will it hire more people than* the former General Agreement on Tariffs and Trade (Gatt) office, but it will gradually attract large numbers of *highly-paid trade lawyers, he* predicts.

"I think we have a fantastic chance to develop our international role," he says.

He is also pushing hard for the realisation of two important transportation projects. The most important is the linking of Geneva to the French *high-speed rail network*, which would bring it to within three hours of Paris.

The problem is that 95 per cent of the link is on French *territory. Mr Pictet has raised* most of the money to finance it but he and other Geneva leaders are having trouble convincing the French government *that it is a worthy project.*

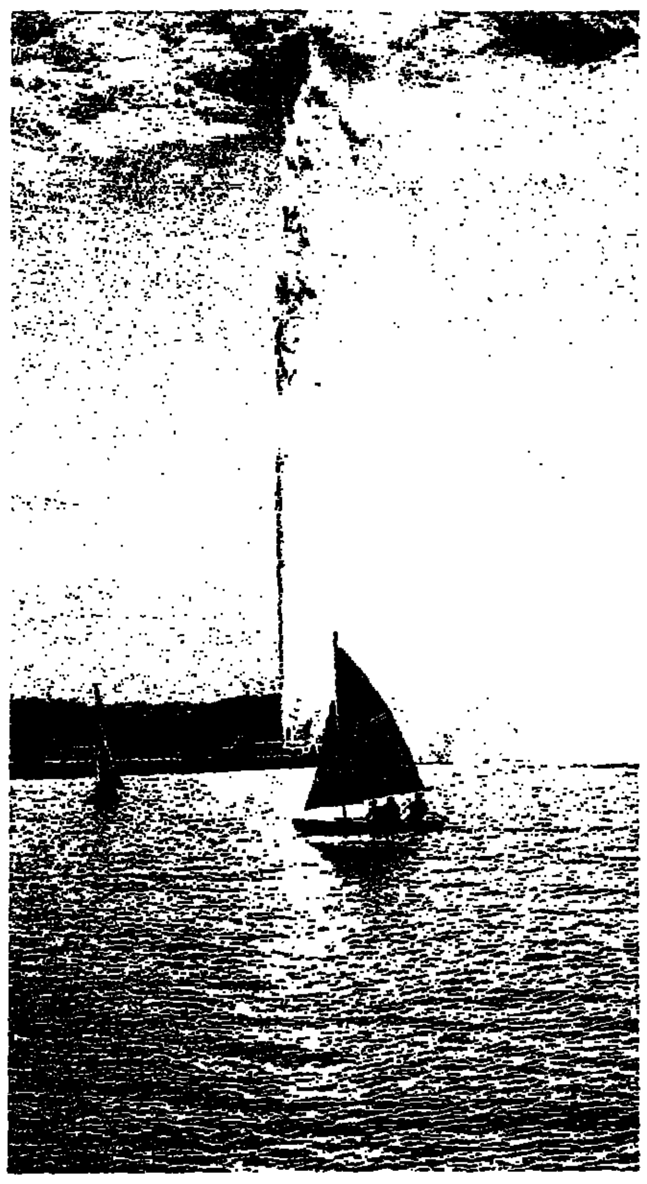
The other project, a road *crossing of the lake to ease* traffic in the city centre, is seen more as a *symbolic issue* – a test of whether the new cantonal government can prove its ability to get things done.

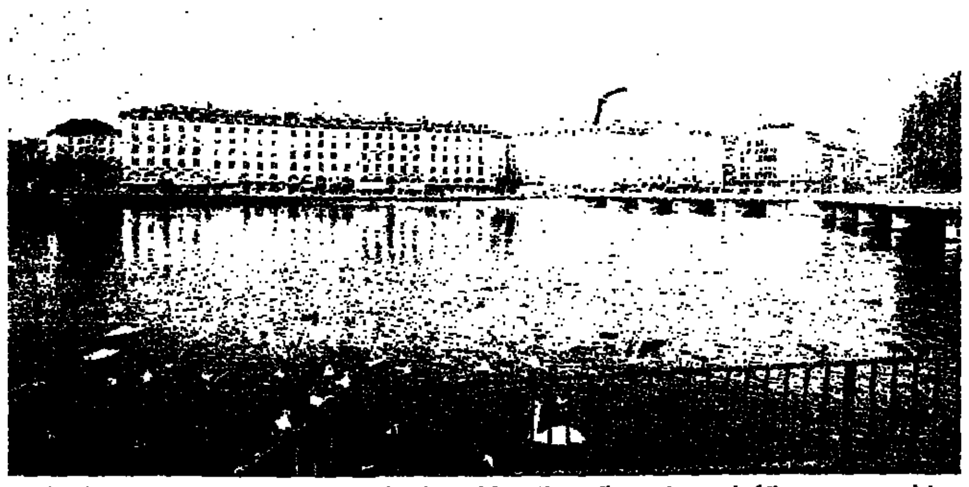
"*It is ridiculous. We have not* built a bridge in Geneva since the beginning of the century, and traffic has multiplied a hundred times," he says.

Ironically, Geneva leaders have begun to wonder if they have gone too far in their promotion efforts. They were startled a few weeks ago when the *German government signalled* that it was no longer disposed to help Switzerland in its difficult bilateral negotiations with the European Union.

This appeared to be an expression of pique following the success of a very aggressive Swiss campaign to win the WTO headquarters for Geneva. The loser was Bonn, which is looking for a new vocation to replace its capital role when the German federal government moves to Berlin.

"We *should* have taken Bonn seriously and perhaps discussed a sharing of new international agency offices," one Geneva official laments. "If we had, we might have been able to avoid giving the WTO so many concessions. Now we are going to face demands from all the other international organi*sations* in Geneva for similar concessions."





Model of the near-perfect city: Geneva sits in a beautiful location at the western end of the eponymous alpine lake, protected on the north by the Jura mountains and on the south by the Mont Blanc massif

IN THIS SURVEY

□ **Production Editor: Philip Sanders**

THE ECONOMY

Signs of distress are clearly visible

Geneva is having a hard time learning to live with the down side of an economic cycle.

For much of the post-war period, the canton has prospered continuously, with employment soaring by 47.5 per cent between 1955 and 1965, and then 25 per cent and 20 per cent in the next two decades.

This was a far better performance than the Swiss average and reflected mainly the build-up of offices of international organisations in the city as well as the establishment of regional head offices of many US multinational companies.

The slowdown began in the late 1980s as the international organisations stagnated, and it became much worse when a property bubble burst in 1989. Since then the canton has been losing jobs at a rapid pace and faces difficulties in joining the rest of Switzerland in its current economic recovery.

Along its elegant shopping streets, the signs of distress are clearly visible in the form of vacated shops and uncrowded restaurants and hotels.

Today, Geneva counts 16,024 jobless, a 7.8 per cent unemployment rate which is the highest in the country, and it appears to have little chance of reducing the rate much in the near future. The basic problem is that the canton has few options for development. The cost of living is so high that very few types of organisations can thrive there. "There is simply no point in our trying to attract low valued-added industries," says Mr Jean-Claude Manghardt, secretary-general of the canton's Department of Public Economy.

This result of the high cost base can already be seen in the economy's unusual structure. Services dominate, accounting for four-fifths of all employment, with banks and international organisations together providing nearly a quarter of all service jobs.

That highlights another weakness: two-thirds of the economy depends on decisions taken outside of the canton.

The primary sector employs only 1.2 per cent of the workforce and consists mainly of grain-growing on the plains to the north of the city.

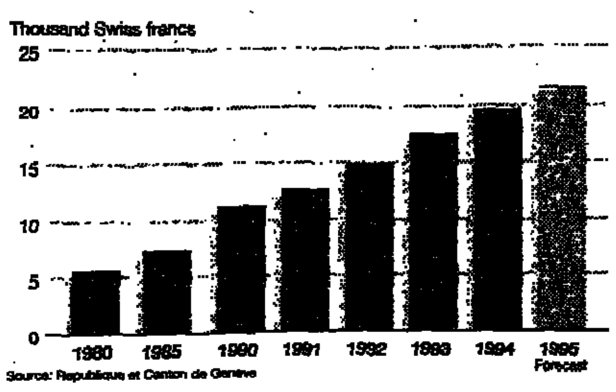
Manufacturing industry has been in gentle decline for many years, with the survivors being concentrated in sectors with very high value-added, such as specialised machine tools and chemicals and luxury watches and jewellery. Small and medium sized manufacturing companies, the backbone of most developed companies, are virtually non-existent. Thus, while manufacturing provides roughly 12 per cent of the canton's value added and has a phenomenally high export ratio, it supplies only 10 per cent of the jobs and has few prospects for providing more.

Another unusual element in the economy is the large size of the workforce, which is boosted by the presence of more than 30,000 *frontaliers* who cross the border from France every day to work in the canton.

Indeed, of the canton's 207,000 workers, 41 per cent are not Swiss. Only half of the non-Swiss have residential rights with the rest being *frontaliers* and those who have short-duration permits.

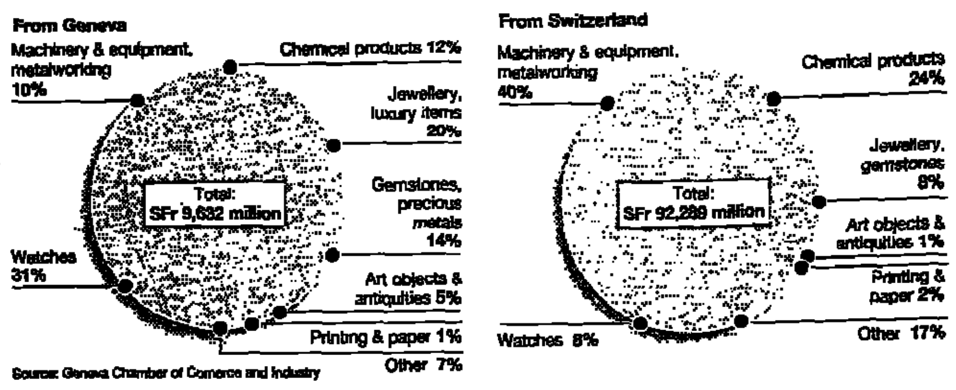
A few years ago, seasonal workers formed another large part, especially in the building trades, but the number has plunged because of the recession and the political outcry against what was seen as an inhuman form of employment. Seasonal workers are not allowed to bring their families with them into Switzerland.

Canton of Geneva per capita debt



Source: République et Canton de Genève

Exports, 1993



Source: Geneva Chamber of Comerce and Industry

According to a recent study by the cantonal government, there are 6,000 fewer seasonal workers than four years ago, and only about 40 still working in the building trades. But this appears to be a political statistic. Most of the workers are still there, but they have one-year permits and have brought in their families.

Thus, it is hardly surprising that the cantonal government has in the past three years launched an aggressive programme to attract new job-creating investment. It believes that the main opportunities are in attracting regional head offices of international companies and more international organisations.

Existing service organisations appear to be maturing. The international organisations, especially those connected to the United Nations, face severe cost constraints, and the banking sector has been reducing head count at a rapid pace since the collapse of property prices.

The government has scored some noticeable successes lately, with the new World Trade Organisation choosing Geneva over Bonn for its headquarters. Recent corporate arrivals include AT&T, Pepsi Cola and jeans maker Levi-Strauss.

Mr Manghardt, a former marketing executive, says the canton has been pleasantly surprised by the speed with which its programme has brought results.

Geneva was known mainly for being too expensive and too miserly about granting building and work permits. But all that has changed, with even tax breaks being offered in an attempt to make costs more competitive.

Still, progress comes slowly. The Public Economy Department estimates that companies setting up in Geneva in the past two years may have created, at best, about 400 jobs.

Thus, most analysts remain very cautious about the medium-term outlook for the canton's economy. "We are seeing slight export-driven improvement, but it is not resulting in any increase in jobs," Mr Manghardt says.

Consumer confidence remains low, making it difficult to breathe new life into the sagging retail sector.

Mr Marc Fues, chief executive of the Banque Cantonale de Genève, foresees only a "slight growth rate" through to the end of the century. He and other bankers say they have still not seen the end of the property crunch. Many landlords stuck with empty space cannot service the cost of their mortgages.

It would be wrong to exaggerate the seriousness of the situation. Life for most Genevese is still very pleasant. A steady, if not rapidly-growing, flow of international diplomatic activity and a highly successful private banking sector are likely to keep it that way.

Ian Rodger

Ian Rodger reports on banking and finance

Weaknesses beneath the surface

On the surface, Geneva's very large financial community looks in good form. New banks and clients continue to arrive, and the city appears well placed to retain its enviable status as the world's leading centre for international private banking.

According to a recent count, there are 54 Swiss-owned banks and no less than 108 foreign-owned banks with offices in the city. Together they claim to manage more than a third of all the funds placed by rich individuals outside their home countries.

"Geneva is *the* private banking centre of the world – much more so than Zurich. You have a pleasant environment here, and that attracts wealthy people and they bring money," says Mr Wolfhard Graetz, a director of Zurich's Vontobel group. Mr Graetz has just moved to Geneva from Zurich to manage Tardy de Watteville, a small private bank recently acquired by Vontobel.

Even the three big national banks, Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse, do roughly as much international private banking business in Geneva as they do at their head offices in Zurich and Basle.

"Geneva does better than Zurich in attracting clients from many areas of the world, such as the Middle East, Latin America and France," says Mr Jean-Louis Delachaux, Credit Suisse's managing director in Geneva.

But beneath the ever-elegant surface, there are weaknesses and worries. The region's commercial banking sector, for example, is nearly paralysed by the after-effects of the collapse of a huge property bubble in 1991, with no sign of an early or easy solution.

"The rhythm of transactions is still very slow," says Marc Fues, chief executive of the Banque Cantonale de Genève, one of the leaders in local commercial markets. "On the positive side, the population of Geneva grew slightly in 1994, so that should help strengthen the rental market," he says.

Capital market business, which was quite lively in the 1980s, has dried up or decamped to Zurich. And the Geneva Bourse will close in a few weeks when the Swiss national electronic stock exchange starts up.

Even among the private banks, which constitute the core of the community, there are increasing worries about an erosion of bank secrecy, one of their main selling points, as the Swiss government shows itself ever more willing to co-operate with foreign governments in investigations of various kinds.

For some, the Swiss government has already gone too far in agreeing to co-operate with foreign requests for legal assistance in cases of tax fraud.

Others welcome the increasing vigilance with which the Swiss authorities pursue financial crimes. "If we did not have tough standards, we would now be facing an invasion by Russians," says Andreas Stricker of Bordier & Cie.

To their credit, leading Geneva bankers saw the clouds gathering a few years ago and have been taking steps to preserve and strengthen their centre.

In 1991, they formed a foundation, Fondation Genève Place Financière, to bring together the 80 banks who were members of the local stock exchange.

At the time, it was clear that the exchange, which was running far behind the Zurich exchange in terms of volume, would soon have to close even if the electronic exchange project did not come to fruition.

Until then, there had been very little communication among the Geneva banks. Private banking, by definition, is a very discreet business. Whereas in capital market activity, competitors meet each other frequently, private bankers try hard to keep both themselves and their clients away from contact with competitors.

On examination, they discovered that the the stock exchange was not that important to the vitality of the financial centre. And paradoxically, the creation of a national electronic exchange will benefit Geneva.

Mr Anton Affentranger, managing director of UBS's Geneva office, says the office is now at a disadvantage to competitors in Zurich because it has to deal whenever possible on the less liquid Geneva exchange. The electronic exchange will eliminate that disadvantage.

Moreover, the employment losses caused by the exchange closure will be largely offset. Pictet, the biggest Geneva private bank, will close its Zurich office and bring all its dealers back to Geneva. For its part, UBS has decided to maintain its dealing activity in Geneva as well, and has just refurbished its dealing room there.

Meanwhile, the foundation identified financial education as the best focus for its activities. The hope is that Geneva will become an international centre for the study of private banking, fund management and subsidiary specialised subjects.

"We have a great chance. People like to come to Geneva," says Mr Thierry Lombard, a managing partner of bankers Lombard, Odier and the chairman of the foundation. Also, even though many banks have been laying off staff in the past couple of years, competition for highly qualified specialists and managers remains brisk.

So far, the foundation has published an inventory of the banking-related courses that are already available at educational institutions in Geneva, and is working on another one for the whole of French-speaking Switzerland.

It was also instrumental in setting up the European Institute for Financial Analysis and Portfolio Analysis two years ago in Geneva. The institute is supported by the European Federation of Financial Analysts for post graduate studies.

Mr Lombard says that educational institutions in the Geneva area are now becoming more interested in providing courses in such specialised fields as derivatives and the analysis of emerging markets. "We have much better contacts between the financial community and academics than in the past," he says.

Executives' poll identifies 'nicest city on earth', says **Ian Rodger**

Highest quality – at a price

It's *official*. Geneva has the highest quality of living among the world's major cities. At lest, that is the finding of Corporate Resources Group, a management consulting firm that specialises in personnel matters.

CRG's main service is a twice yearly comparison of the cost of living in major cities, the purpose being to help companies set pay and allowances for their employees posted abroad.

Last year, however, it also undertook to assess the differences in the quality of living in these cities. Mr Lars Olof Andersson, CRG's managing director for information services, says many companies provide expatriates with a flat moving allowance to try and compensate for the upset that people experience when they move abroad.

The quality of living survey is an attempt to measure that phenomenon more precisely so that the allowance can be varied. Obviously, the Frankfurt-based employee moving to Lagos deserves a greater disturbance allowance than one going to Vancouver.

Mr Andersson concedes that it is impossible to achieve the whole truth or objectivity in such a study, so CRG deliberately avoided measuring what he called "feeling" factors. For example, people react differently to the challenge of a foreign language or to the necessity to travel a long distance to work.

CRG correspondents were asked to assess their cities on 42 criteria on a scale from one to 10, and the responses were then co-ordinated on regional and global levels to achieve consistency.

The criteria included measures of law enforcement, inflation, the ease of changing money, limits on personal freedom, medical and health conditions, schools, quality of public services, recreation facilities, shopping, housing and the natural environment.

Geneva scored perfect tens on all but nine criteria, edging out Vancouver, Vienna, Toronto and Luxembourg to be the city with the highest quality of living.

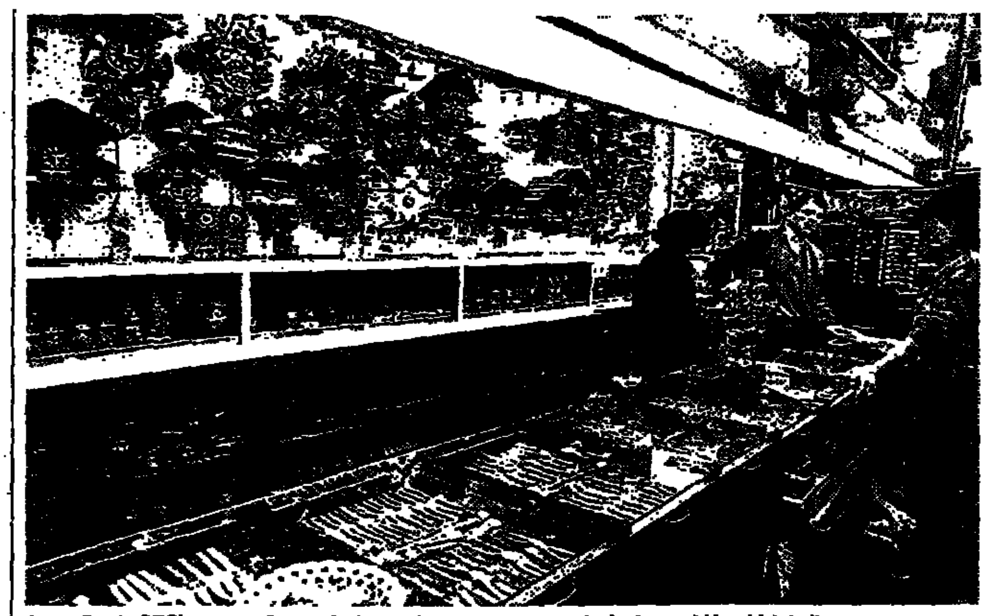
Its minor shortcomings included being fractionally less safe than Tokyo and Osaka, having a less than dynamic cultural life, suffering moderate traffic and pollution problems and, like all western European cities, having a rather dreary winter climate.

Mr Andersson points out that smaller cities have an advantage in the survey, as they are less likely than big cities to have serious traffic and security problems.

CRG recommends that companies provide an allowance of 30 per cent of gross salary to compensate for the lack of quality or sheer danger of living in some cities. The wooden spoon in its survey went to Algiers, with Kiev, Lagos and Moscow not much better.

On that basis, no one being posted to Geneva should get any quality of living allowance. Unfortunately, however, such paradise-like conditions do not come cheap. According to CRG's latest cost of living survey, it is the fourth most expensive city in the world in which to live, 34 per cent higher than New York and exceeded only by Zurich, Osaka and Tokyo.

It has been noticed that CRG is itself based in Geneva, but Mr Andersson rejects any suggestion of bias in the survey. "Even if we are based here, fewer than 20 per cent of our staff are Swiss."



According to CRG's survey, Geneva is the fourth most expensive city in the world in which to live *Picture: Roger Taylor*

Ian Rodger looks at politics

Famous for their grass roots

The Swiss are famous for their grass roots politics, featuring referendums on virtually every issue and part-time politicians who remain very close to their constituents.

In Geneva, this tendency is taken to extremes. Although the canton has a population of only 390,000, it supports no fewer than 46 governments, one for each of the 44 minor municipalities plus one for the city of Geneva and, of course, the cantonal government. This means that, in total, there are nearly 1,000 elected politicians in the canton – not including members of the federal parliament.

Again, in the normal Swiss way, the tendency at each level is to have broad coalition governments with every important party represented in the executive committee or cabinet. The Swiss worry that paranoia will develop in any significant minority group – and the country is made up of minority groups – that is not involved in government.

In most Swiss cantons, municipalities have the most power, reflecting the people's desire to have decisions made close to home. But in Geneva it is the cantonal government – which is really a metropolitan government – that makes things happen. Even the Geneva city government, which is the only potential rival to the canton, has very limited means and responsibility only for a few minor services such as roads, sanitation, parks and museums. However, the municipalities can and do make things difficult for the canton, mainly by launching legal appeals or rallying enough signatures for referendums against cantonal proposals.

Thus, politics in Geneva tend to be raucous. "There is more polarisation here than in the rest of the country," says Mr Hans-Peter Graf, an immigrant from German Switzerland who is secretary of the Chamber of Commerce and Industry.

Mr Jean-Pierre Thorel, a moderate trade union leader, agrees. "We have more fights than they have in other cantons, but we also have more discussion. After all, this is a small town; we all went to the same schools." This was fine when the economy was healthy and there was more or less enough to satisfy everyone. But in the early 1990s it led to paralysis because government members from different parties could not agree on how to deal with the canton's growing problems.

In particular, the former public works minister, a socialist, tended to try to torpedo most development projects.

As the 1993 cantonal elections approached, the chamber of commerce dropped any pretence of objectivity, set an agenda for reform and demanded that the political parties indicate how they felt about it. The effect was to unify the centre and right-wing forces and to divide the left into moderate and radical camps. Together, the left-wing parties maintained their strong minority standing (37 seats in the 100-seat legislature) but not one of their candidates polled enough votes to be among the seven elected to the Conseil d'Etat (Cabinet).

The election of a "monocolour" cabinet was headline news all over Switzerland where, to a greater or lesser extent, coalition governments were experiencing similar problems to those in Geneva.

There is no doubt that it has enabled the government to tackle the canton's problems more vigorously. And the population seems to have responded. As Mr Ivan Pictet, president of the chamber of commerce, observes, the civil servants whose salaries have been frozen have not resorted to strikes or other disruptive action.

Still, the way ahead is far from clear. Of three reform and economy measures put before the people in referendums last November, two were rejected. The unity within the Conseil d'Etat has also showed signs of strain lately, notably on some development projects.

In a few days, the people will again give an indication of their feelings as municipal elections are held throughout the canton. If, as expected, the left-wing forces make significant gains, they could make life more difficult for the cantonal government, clearing the way for a return of a broad coalition at the next cantonal elections in 1997.

Profile: Jean Ziegler

Enfant terrible aged 60

There are a lot of jokes in Geneva about the large number of "refugees" who have come to the city from German-speaking Switzerland to thrive in the more liberal climate there than in most German-Swiss communities.

The most famous is Jean Ziegler, an intellectual cum politician who has made a name abroad as an outspoken critic of his country.

Ziegler is, for example, the author of *La Suisse lave plus blanc* (Switzerland Washes Whiter), a 1990 treatise denouncing the laxity of Swiss banks and bank supervisors towards the use of their facilities by criminals for laundering their money.

And he continues to seize every opportunity to rail publicly against corruption in Switzerland's very large financial sector, a message that is more often welcomed by foreign audiences than Swiss ones.

Indeed, many Swiss have much stronger feelings. "He said some things that at a certain point needed to be said, but it I cannot forgive him for going abroad and spitting on our country," a leading Geneva banker said.

Ziegler admits that he is lucky · he lives in liberal Geneva. "If I said these things in Bern they would execute me. In Zurich, I would be stoned," he says.

In addition to his interest in finance, he is a prominent figure in socialist circles in Geneva and an elected representative of the canton in the Swiss federal parliament. And he is a sociology professor at the University of Geneva, specialising in studies of third world societies.

Jean Ziegler: outspoken critic

He first came to Geneva from his native Bern in the early 1950s to study law, and then worked in a prominent law office. He went briefly to New York for the Swiss American Corporation, an agency for the three big Swiss banks, before returning to Geneva and a productive academic career.

He has represented Geneva in the federal parliament since 1967, with the exception of the period from 1983 to 1987 following a defeat at the polls, and he has concentrated there on foreign and financial policy issues. He has always been very active in local politics, although he served only once in the early 1960s as an alderman and refused several times to seek cantonal executive office.

"I do not want to be a professional politician," he says. "I want to stay an intellectual, to write books and to try to reform Switzerland through presenting ideas. I am a very privileged man. I have academic freedom and a platform in parliament."

Although 60 and a defendant in several libel actions by financiers and businessmen, Ziegler still rants like an adolescent ideologue, happily mixing facts with hearsay to make his points.

He believes the rapid development of Geneva's financial centre in the past 30 years has put great strain on political life in what is, in the end, a modest sized city state.

"There is profound uneasiness here now. A lot of people are very poor, and they see corruption and questionable deals," he claims.

He has been unsuccessful, however, in getting his left wing allies to take the financial issue to heart. "We should be campaigning for greater transparency by banks and for outlawing the acceptance of flight capital from developing countries," he says.

He has been deeply disappointed by the splits among left wing forces in the canton that helped the conservative parties to form a majority government at the last election in 1993. He is working hard behind the scenes to unify the left into an effective opposition force, but admits it will be difficult to achieve before the next elections in 1997.

In the meantime, he sneers at the performance of the so called "monocolour" government.

"The result has been catastrophic. They have not reduced spending, there are still 23,000 civil servants and nothing has been privatised. They have not done much to create jobs and there are 17,000 people unemployed.

"All they have done is make a new cantonal bank and put their cronies in charge."

Ian Rodger

INTERVIEW

'A climate of confidence'

Mr Olivier Vodoz, minister of finance and 1995 president of the Geneva cantonal government, talks to **Ian Rodger**

Question: Since November, 1993, Geneva has a government that excludes members of any of the left-wing parties. Has this made much difference to the working of government here?

Answer: For several years prior to November 1993, our government was paralysed. There were blockages at every turn and no side would accept compromises. The people were totally unsatisfied because we were experiencing an economic crisis. In a crisis, it is difficult to be in government and in opposition at the same time, but that is what some of the left-wing members were trying to do.

Does the so called "monocolour" government work any better than an all-party coalition?

It is not monocolour. There are three parties [Liberals, Christian Democrats and Conservatives] and then you have to take into account the characters of the individuals. We have passionate debates. Nothing is automatic. The big change is that we are working in a climate of confidence. We have never in the past year-and-a-half held a vote. It is not spectacular, but we save a lot of time in the decision-making process. We can react quickly now, for example, if an enterprise is considering locating in Geneva.

What are your main achievements?

We promised to bring the canton's finances back into balance. The deficit this year will be SFr379m compared with SFr650m in 1993 and we will be at break-even, excluding depreciation, in 1997. We have faced obstacles, strikes and setbacks but the plan is being respected. Already we see in the capital markets that we have recovered our position as a borrower compared to other cantons.

How are you cutting costs?

We said we would reduce the number of public servants by 11 per cent from the 1991 level of 25,270. By the end of this year we will have reduced the number by 7 per cent, but the remaining 4 per cent will be the hardest. We have also blocked salary increases in real terms for civil servants.

Last November there were referendums on three of your proposals. The two cost-saving proposals – closing an obsolete sanatorium in the mountains and privatising the motor vehicle inspection service – were rejected. Does that mean the people have become disenchanted with your government?

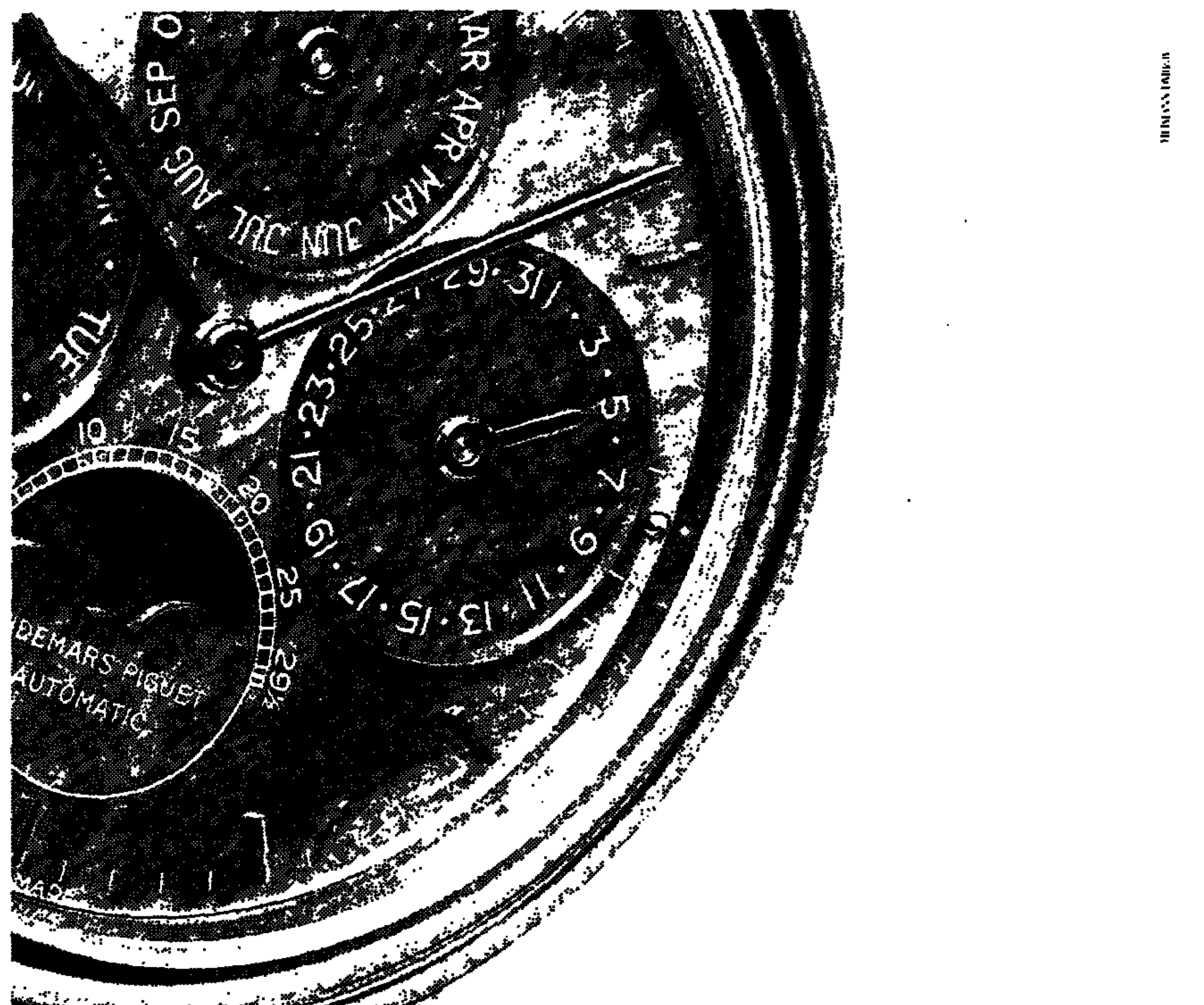
Certainly we regret losing. We thought the people would understand. I think it was a failure on our part to explain things, and we underestimated the effectiveness of the emotional arguments raised by the opposition. So we will have to present our ideas better.

But think of the one we won: to extend shop opening hours by one hour until 8pm on Thursday evenings. The fact is that Geneva shops are being badly hurt by competitors just across the border in France who are open every evening and on Sunday too. We wanted to help them be competitive. But if we have to fight hard just for that, it shows how big our task is.

We think the business community needs a government that is a partner in the struggle to achieve efficiency. We should not complicate the task of businesses in their struggle for competitiveness.

It has long been believed in Switzerland that all parties have to be included in government to prevent the alienation of any of the country's many minority groups. Does the experience of your government undermine this view?

We are trying to revitalise our democracy. The left still has ways to express itself. But in a period of difficulty people need to be led. The old idea of having everyone inside was leading to deadlock. Consensus government only works if we all share the same basic values and are willing to work for the general interest.



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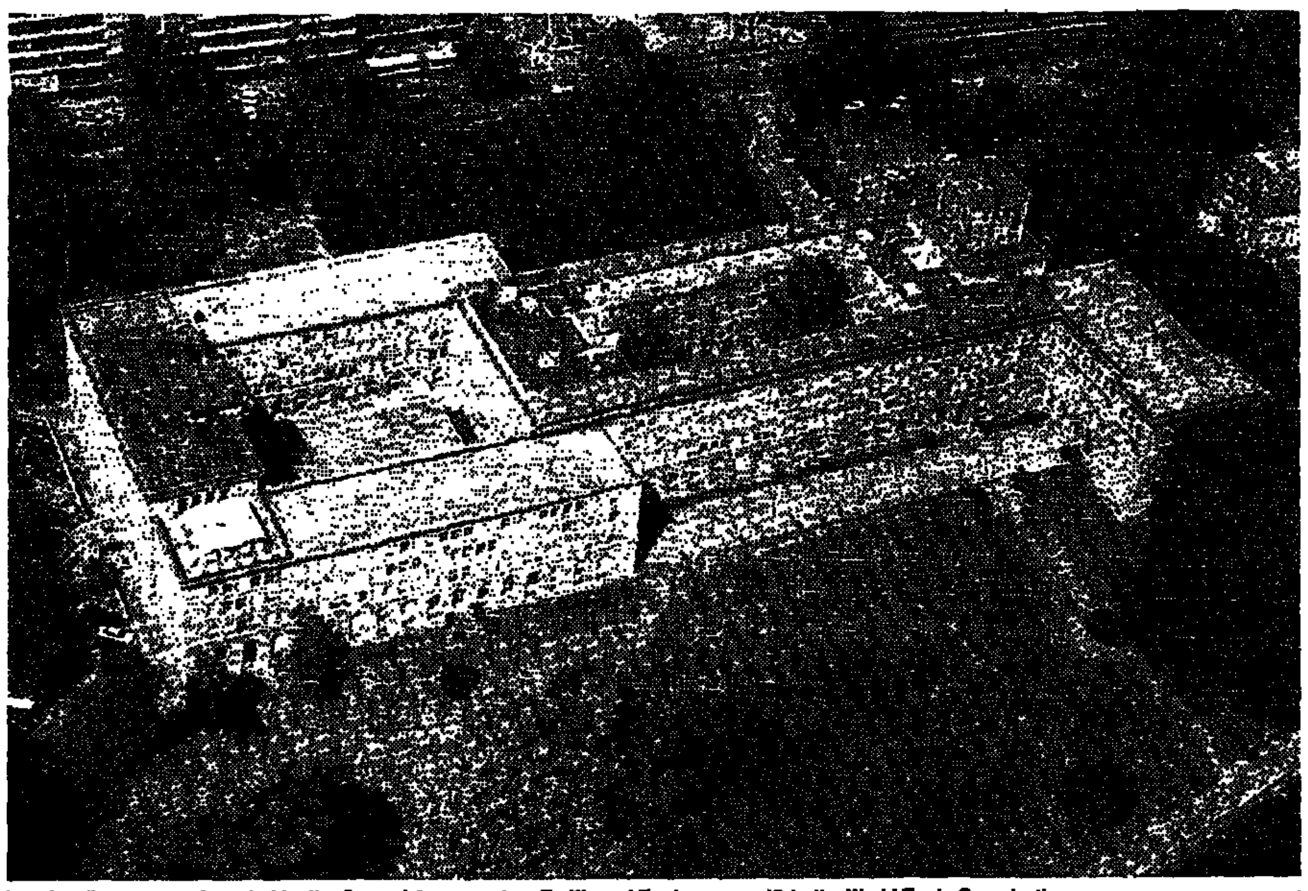


This building, previously rented by the General Agreement on Tariffs and Trade, was a gift to the World Trade Organisation Picture: AP

Geneva's role as a centre for international organisations

A plank of foreign policy

When Geneva was awarded the headquarters of the new World Trade Organisation last summer after a bruising battle with Bonn, the city and Swiss federal authorities breathed a sigh of relief.

Losing the high-profile WTO could, they feared, have precipitated a possibly fatal erosion of Geneva's pre-eminence as Europe's "international" capital, with more than a dozen UN bodies and more than 800 non-governmental organisations. But the price paid was high – some say too high. Although that battle was won, the war goes on.

Cities all over the world are now competing to host United Nations and other international bodies, and the cost of doing so is rising steeply. In particular, the German government's determined effort to find a role for Bonn once the capital shifts to Berlin has upped the inducements to levels which Geneva is struggling to match.

In January, Bonn succeeded in enticing the UN Volunteers programme, which has 100 staff, to leave Geneva next year. It is now bidding aggressively against Geneva and others for the secretariat of the UN climate change convention.

In 1992, Geneva lost to The Hague the 1,000-strong international inspectorate to enforce the chemical weapons treaty. The following year it failed to secure the much smaller Commission for Sustainable Development, the principal follow-up body to the 1992 UN Earth Summit in Rio de Janeiro, which eventually went to New York.

Faced with the possible loss of the WTO, its 450 staff and associated diplomats, the Swiss this time pulled out all the stops. Geneva promised to construct expensive new facilities for the world trade body and to expand diplomatic perks and privileges not only for senior WTO staff but for all UN organisations in the city and all 140 or so diplomatic missions.

The WTO will get free use of a spanking new conference centre costing SFr31.2m, an underground car park, and the gift of its existing building previously rented by the General Agreement on Tariffs and Trade. As part of the WTO deal, Geneva has also agreed to build a "Universal House" providing free office space to diplomatic missions of the poorest nations.

More controversially, the Swiss government has promised to liberalise rules on work and residence permits for members of diplomats' families and to exempt diplomats from paying the new value added tax. This has not gone down well with ordinary folk in Geneva, where nearly 8 per cent of the workforce are jobless and the cost of living is one of Europe's highest.

The drive to attract and keep international organisations does not stop there. Geneva aims to become the world's "environment" capital, hoping in the process to win the secretariats for the climate change, biodiversity and desertification conventions arising out of the Rio summit.

Shrugging off its disappointment at losing the sustainable development commission, the confederation last year approved a loan of SFr75m for refurbishment of the imposing Palais Wilson, first home of the League of Nations, as a "House of the Environment".

The World Wide Fund for Nature and the World Conservation Union (IUCN) will remain along the lakeside at Gland

The Palais Wilson will bring together under one roof up to a dozen UN and non-governmental environmental organisations, including the European headquarters of the UN Environment Programme and various convention secretariats. The World Wide Fund for Nature and the World Conservation Union (IUCN) will remain just along the lakeside at Gland. If this were not enough, the Swiss government is also building a SFr15m UN centre for human rights – a gift for the UN's 50th birthday this year – and is lending SFr75m towards the SFr105m cost of constructing new headquarters for the World Meteorological Organisation.

Some Swiss politicians are beginning to grumble about the cost of playing host to the UN. But for the government in Berne, Geneva's international role has become an important plank of Swiss foreign policy – a way of demonstrating the country's openness to the outside world despite voters' refusal of UN membership and closer ties with Europe.

The economic pay-off for Geneva is equally important. The international organisations and diplomatic missions employ nearly 30,000 people and spend more than SFr3bn a year, most of it in Switzerland. They thereby account for about 10 per cent of cantonal employment and income. UN and related meetings attract some 400,000 visitors a year to Geneva, buoying the city's tourist industry.

Reflecting these interests, the Geneva and federal authorities have recently set up a joint working group to devise a coherent strategy for the future of "Geneva international" rather than the ad hoc arrangements made hitherto.

The group includes Mr Olivier Vodoz, who heads Geneva's cantonal government, Mr Jakob Kellenberger, the top foreign ministry official, and Mr Armin Ritz, who looks after international organisations in the same ministry. Mr Vodoz said later he hoped it would also be possible to discuss with the German authorities how to curb the spiralling financial bids for UN bodies, which Switzerland could not afford to follow.

Inducements apart, however, Geneva is trying to make the city more welcoming for international organisations on a personal level, for example, by setting up an information and advice centre for staff modelled on the New York City Commission for the UN and by appointing two ombudsmen to mediate in disputes between diplomatic missions and their employees.

Both decisions have been strongly backed by "A future for Geneva", a private foundation set up last year to mobilise support for "Geneva international" and headed by Mr Arthur Dunkel, the former Gatt chief. The foundation has also helped raise SFr3.5m in private funds towards Geneva's SFr6.5m budget for the UN's birthday celebrations.

While these initiatives have undoubtedly strengthened Geneva's hand, the authorities know they have a tough fight on their hands to preserve the city's international status. While 30 years ago Geneva's position was uncontested, Mr Vodoz says, "today everything is wide open".

Frances Williams

Frances Williams visits Cern headquarters

Unveiling the secrets of the universe

The low-rise concrete sprawl on the Swiss-French border that houses the headquarters of Cern - the European Laboratory for Particle Physics - does not look like the sort of place that has spawned half a dozen Nobel prizewinners in its 40-year history and become the globe's foremost physics laboratory.

For that you have to descend underground to see the biggest particle accelerator in the world, which runs in a 27km loop 100m below Swiss and French soil.

In the accelerator, guided by thousands of magnets, subatomic particles whirl at almost the speed of light, to be smashed to smithereens in the search for clues on the basic nature of matter and the origins of the universe.

Just before Christmas Cern's 19 European member governments gave the go-ahead for construction of the Large Hadron Collider (LHC), the most powerful particle accelerator ever built. The SFr2.6bn LHC will enable scientists to peek into the dawn of time, recreating the first microseconds after the 'Big Bang' which gave birth to our universe 15bn years ago.

Prof Chris Llewellyn Smith, the British physicist appointed Cern director-general at the beginning of last year, described the LHC decision as a "unique commitment to fundamental scientific research".

In 1993, the US Congress finally jettisoned plans for a bigger and much more expensive American supercollider, confirming Cern's – and Europe's – pre-eminent position in this area of "big science".

Founded in 1954, Cern has been an outstandingly successful model of European scientific collaboration and has increasingly extended co-operation to non-member countries. Some 6,000 scientists – more than half the planet's high energy physicists – do research at Cern, and the 80 countries represented include the US, Canada, Russia, Japan, China, India and Israel, as well as western and eastern European nations.

Once the LHC starts operation "the world's physicists will be here", says Prof Llewellyn Smith, pointing out that modern international scientific co-operation involves not only the sharing of ideas but also the sharing of complex and costly tools.

Cern's members are hoping that the US and Japan will put up an extra $500m for the LHC project, enabling it to be fully completed in 2004, four years ahead of schedule. Even without that money the LHC will still be built, although Germany, Cern's biggest contributor, and Britain agreed only after it was decided that the cost would be met from Cern's regular budget as other experiments were wound down.

In addition, the organisation's SFr918m 1995 budget will be frozen over the next three years and then increased by only half the expected 2 per cent inflation rate – which could mean a hefty cut in real terms. Cern's staff is planned to shrink from just under 3,000 – of whom a third are scientists and another third technicians – to 2,150 over the next 10 years.

Each of the two planned LHC experiments will cost about SFr450m and involve as many as 1,500 scientists apiece

Mr Neil Calder, Cern's spokesman, says the organisation will expand its role as a service provider, with fewer "in-house" scientists and many more from outside making use of the facilities. "We will provide the accelerators and the rest of the world will come in and build their experiments on these accelerators", he says.

Preparations have already started for the LHC, which will be installed above the existing Large Electron Positron Collider (LEP) in the same 27km tunnel. Each of the two planned LHC experiments will cost about SFr450m (paid for primarily by the users) and involve as many as 1,500 scientists apiece from hundreds of universities and research institutes around the world.

The information coming out of just one of these experiments will be equivalent to "all the telephones in the world ringing at the same time", says Mr Calder.

For comparison, the four present LEP experiments each involve about 500 people. The experiment that gained Prof Carlo Rubbia his 1984 Nobel prize for the discovery of two new sub-atomic particles was remarkable at that time for employing 130 scientists.

Are the results of Cern's work worth the huge amounts of money involved, especially at a time when scientific research budgets are under pressure? Prof Llewellyn Smith insists that the prime justification is the desire for knowledge itself – but Cern's activities have already produced some valuable spin-offs and more can be expected.

Of these the most recent and spectacular has been the World-Wide Web, the "killer spin-off", according to Mr Calder. This networked information retrieval system has been the single most important factor behind the explosion of the Internet, the interactive computer network whose users rose by 350,000 per cent in 1994.

The Web – "perhaps the greatest British invention since the steam engine", enthuses Mr Calder – was conceived in 1989 by Mr Tim Berners-Lee and colleagues at Cern to give the thousands of scientists using the laboratory rapid and easy access to their data wherever in the world they happened to be.

The Web, now in the public domain, has some 12,000 information providers and tens of millions of users. Traffic is equivalent to shipping the entire collected works of Shakespeare every second, and growing by the day.

Having taken on a life of its own, Web development is being transferred from Cern to the French National Institute for Computer Science and Control (INRIA) and the Massachussetts Institute of Technology (MIT).

"The Web is an outstanding example of how basic research can generate progress in a completely unforeseeable way", notes Prof Llewellyn Smith.

Cern can also point to such applications as imaging machines used in medicine, biology and industry, based on the particle detector for which Georges Charpak of Cern won a Nobel prize in 1992, as well as advances in vacuum and superconducting technologies.

Prof Leon Lederman, a Nobel physics laureate, has estimated that 25-30 per cent of the industrialised world's economy stems from past fundamental physics research. As the world's physicists labour to unveil the secrets of the universe, Cern argues, they may also be laying the industrial foundations of the 21st century.

Ian Rodger reviews progress on two 'dream projects' for the city

Transports of delight

In common with most cities, Geneva has its transportation problems and its transportation project dreams.

The main problem is vehicle congestion at the neck of the Lake of Geneva or "Rade" as it is known. As urban development has spread eastward on both sides of the lake, the pressure of traffic on the single bridge crossing at the point where the lake turns into the River Rhône frequently becomes unpleasant.

The proposed solution is a so called *traversée de la Rade*, a crossing of the lake, either by bridge or tunnel or a combination of the two, at a point a few hundred metres east of the existing Pont du Mont Blanc.

Traffic in the centre of Geneva has declined noticeably

It is a project that has been discussed for at least a quarter of a century, but seems finally to be coming to a decision point in the next few months.

The conservative coalition that now rules the canton had as a principal plank in its 1993 election campaign that it would finally push through the project. It would be a demonstration of the dynamism of the coalition and would provide a much needed stimulus to the construction industry.

It would also show that the new government would not be held hostage by environmental lobbies and other anti-development groups.

However, as a crucial deadline for action approaches, it now looks as if the project will again be postponed or simply cancelled.

The key problem, not surprisingly, is cost, although it is not the only one. Depending on the option selected, the crossing could cost between SFr600m and SFr750m, according to official estimates.

The cantonal government, which is already suffering very large deficits, would like the federal government to underwrite much of the cost, claiming that it should be considered part of the main national road network. The federal government has balked at this view, and Geneva is applying pressure for a decision by the end of March.

Even assuming that federal support is forthcoming, the Geneva government then has to put the options to the people in the form of a referendum. Mr Philippe Joye, public works minister, has promised a referendum in September, and insists it will take place with or without Bern's support.

Mr Joye also promises it will come with a clear accounting of costs and an explanation of tax increases and cuts in other government programmes needed to pay for it.

Meanwhile, apart from some very strong environmental criticism of the project, there are fresh questions about the need for it. Since the completion of a ring motorway across the northern edge of the city to the French border two years ago, traffic in the centre of Geneva has declined noticeably and the congestion on the Mont Blanc bridge has eased.

While it would be embarrassing for the government to abandon the project, Mr Joye seems almost to be hoping for that result. In a recent interview, he said that if the referendum could not be organised for September, it would be as well to give up the project "and forget about it for 40 years".

The same fate is unlikely to befall another dream project, to link Geneva to the French high speed train (TGV) line to Paris. Such a link would take more than an hour off the current minimum three and a half hour journey time between the two cities.

A mere 90km separates Geneva from Mâcon, the nearest point on the main TGV line between Paris and Marseille. An existing spur between Mâcon and Bourg-en-Bresse leaves only 65km between Geneva and the TGV network.

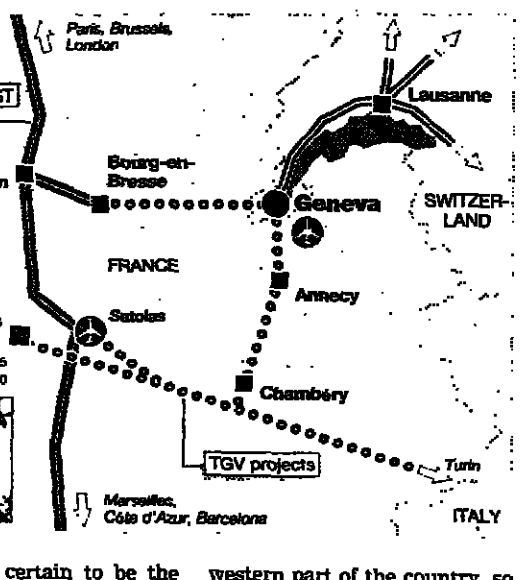
Alas, all but a couple of those kilometres are on French territory, making it difficult for the Swiss to decide unilaterally on such a link-up. And for the French, the link to Geneva has not been given as high a priority as a new line from Lyon to Turin.

Until a few months ago, it looked as if the Geneva-Mâcon line was likely to remain a dream for decades. Mr Bernard Bosson, the French minister of transport, favoured the Turin line with a spur north to his native Annecy and perhaps on to Geneva.

However, since then, Mr Gérard Ramseyer, the Geneva transport minister, has put together a consortium of French and Swiss banks willing to finance up to 80 per cent of the estimated SFr2.5bn cost of the Geneva-Mâcon line.

And he has produced market analyses indicating a nearly adequate profit for the French National Railways (SNCF) for operating a TGV service to Geneva.

Again, politics could play a decisive role, but probably in a positive sense. The Swiss federal government is under growing pressure to cancel or postpone one of its proposed trans-alpine rail tunnels because of the high construction cost and uncertain demand.



If it does cancel one of them, it is almost certain to be the Lötchberg line linking Bern to the Simplon pass. In Swiss political calculations, that would be seen as a loss for the western part of the country, so efforts would be made to find another large project to replace it. The Geneva-Mâcon line could be just the trick.

Geneva wants its tourists to stay longer, reports **Frances Williams**

Focus is on a fresh image

Oh won't you stay just a little bit longer, the 1960s pop hit by the Hollies, could be the theme song for the Geneva Tourist Office as it seeks to boost the canton's SFr1.8bn annual revenues from tourism.

Four-fifths of Geneva's 1m or so visitors each year come to the city on United Nations or private business, and few stay after their work is done. On Friday evenings, the airport departure lounge is packed with returning delegates and conference-goers. The arrivals hall on Monday morning is almost as busy.

As for holidaymakers, they typically stay only a day or two before moving on. The average stay for all visitors is just over two nights. So lengthening the time tourists spend in Geneva has become a central objective of the tourist office's promotional strategy.

Mr François Bryand, office director, believes this means changing Geneva's image abroad. "Geneva is seen as a big city, but without the vitality of Paris, Rome or Vienna", he says. It therefore has the worst of both worlds, appealing neither to those looking for city culture and nightlife, nor to those interested in outdoor pursuits.

Geneva's overseas promotion now focuses on changing those perceptions, emphasising not only the city's evident attractions but its "human dimensions" and its convenience for activities in the surrounding region.

Within 100km of Geneva can be found some of Europe's most spectacular scenery, some of the world's best skiing areas and facilities for almost every kind of leisure pastime from walking to wind-surfing.

Mr Bryand says the new marketing campaign has already begun to pay dividends, at least in terms of its impact on the trade. In the longer term, the office has set itself a target of a 5 per cent increase in overnight hotel stays by 1997.

In itself, this is not a particularly ambitious target. Between 1984 and 1994 the number of overnight stays fell by a fifth from 2.63m to 2.11m, and for leisure tourists the fall-off was much greater. But Geneva sensibly refuses to pin its hopes on the mass return of oil-rich Gulf Arabs who a decade ago migrated to Geneva each summer.

Low oil prices, economic recession and the Gulf War put paid to that. And while last year saw the first signs that visitors from the Gulf may be trickling back, Geneva's target markets mainly lie elsewhere.

Unlike the rest of Switzerland, where most tourists are Swiss or German, Geneva has a truly international clientele. Swiss apart, visitors from the US and Japan are the most numerous, followed by Britain, France and other European countries. Tourism from the Asian "tigers" – Hong Kong, Singapore, Taiwan and South Korea – is also growing rapidly.

This is reflected in the tourist office's overseas promotion budget for this year, a third of which is being allocated to Asia including nearly 20 per cent for Japan, 27 per cent for the US and 30 per cent for Europe, excluding Switzerland.

Although most of this promotion is aimed at leisure tourists, Mr Bryand is also concerned to maximise the returns from UN and business tourism, which each account for about 40 per cent of visitors to Geneva. The idea is to tempt them to add, say, a skiing or golfing weekend to their stay as part of a moderately priced package.

Mr Bryand says it is important to combat the notion that Geneva is a hugely expensive place to stay, although his efforts are not being helped by the latest climb in the value of the Swiss franc.

Economic recovery worldwide, and especially in Europe, is in any event expected to increase the number of business travellers. One important draw is likely to be Palexpo, Geneva's principal exhibition centre next to the airport, which has invested heavily in expanded facilities.

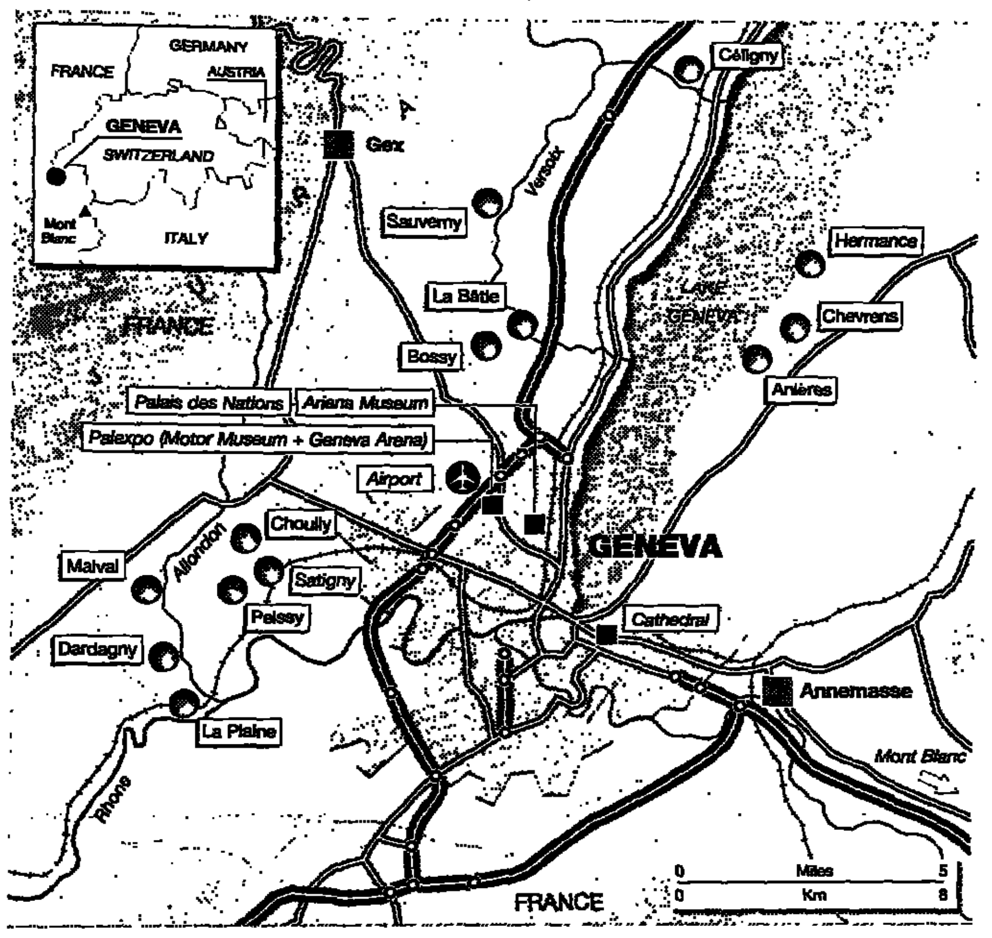
Earlier this year, Palexpo opened another 16,000 sq m of exhibition space, bringing the total to 90,000 sq m – large enough to accommodate the huge international fairs that are the fastest-growing segment of the exhibition market. The Telecom fair, held every four years, alone brings in SFr665m to the local economy.

The Palexpo complex is also home to Geneva's new automobile museum and the "Geneva arena", a 10,000-seat multi-purpose auditorium due for completion later in 1995. Meanwhile, the airport, which handled 6m travellers in 1994, will be increasing its terminal capacity by a third.

The city's biggest capacity constraint is more difficult to tackle – the lack of sufficient hotel accommodation at peak periods. During the Geneva motor show in March there is not a bed to be found. And for the Telecom fair next October, hotels up to 100km away already have all their accommodation booked.

These, however, are exceptions. On average, Geneva's 13,150 hotel beds are less than half-full and their numbers have been shrinking. Yet Mr Bryand is not downhearted.

The promotion of tourism is at long last being given adequate financial support, he points out. The budget of the tourist office, at between SFr7m and SFr9m annually, has doubled since 1992 when Mr Bryand took over as director. "Now we can go out and sell Geneva effectively", he says.



Within 100km of Geneva can be found some of Europe's most spectacular scenery and facilities for almost every kind of leisure pastime *Picture: Ray Roberts*

Frances Williams urges business visitors to take a break

Escape from the city

One of Geneva's more endearing characteristics is the ease with which one can leave the city behind, writes

Just 10 or 15 minutes by bus or train from the city centre and you can be strolling through the fields, woods and vineyards of the Geneva countryside.

Here are some suggestions for weary conference-goers looking for a rural tonic. All villages have at least one café-restaurant, although many are closed on Sunday evenings and Mondays:

● A walk in the woods along the Versoix river: Take the bus to the village of Bossy, close to the French border north of the airport. A right-hand turn will lead you down to the wooded valley of the Versoix river, through open farmland with magnificent views of the Jura and the Alps on a clear day. Cross the bridge and take the river path upstream. The fast-flowing Versoix, which here marks the Swiss-French frontier, can be followed as far as Sauverny.

There are said to be beavers in the upper reaches of the Versoix but you will have to be there at dawn to see them. La Bâtie, further downriver, is a favourite spot for white-water canoeing.

● *Sample local wines at source:* Take a train to La Plaine and then the road to Dardagny, which climbs steeply through vineyards to the village. There is a fine view of the Alps from the terrace of the château, now the town hall. From Dardagny, take the road via Essertines through farmland and woods to the medieval chapel of Malval, before crossing the Allondon river in the direction of Peissy.

Peissy is a lovely village with a stunning display of wall plants in spring. From Peissy you can walk to Choully or directly to Satigny for a train back to Geneva. This is one of Geneva's main wine-producing areas and a beautiful walk in autumn when the vine leaves turn colour.

● A lakeside excursion to Hermance: The bus ride to the old fishing village of Hermance, on the left bank of Lake Geneva, is a treat in itself. The solid bourgeois villas and well-groomed gardens represent some of the canton's most valuable real estate. This is where King Fahd of Saudi Arabia has built himself a smaller replica of the palace of Versailles, although unfortunately the public gaze is blocked by security fences.

Hermance's narrow streets with overhanging balconies are full of flowers in the summer when you should avoid the weekend crowds. There is a great view of the Jura and the right bank from the quayside. The river path to Chevrens is a good if muddy walk in early spring when the wild flowers are out.

If you are travelling by car, the best way to return is to take the high road from Hermance via its medieval tower to Aniéres, which passes through vineyards with superb views of the Alps, Jura and lake. The drive back to Geneva also gives you one of the best glimpses of the city and its cathedral, as well as the United Nations complex on the right bank.

● A quiet retreat to the Ariana Museum: This tranquil, elegant museum is just the job for jaded international bureaucrats seeking a brief respite from interminable UN meetings in the nearby Palais des Nations. The museum, built in the late 19th century by Gustave Revilliod, a renowned art patron and collector, to house his own collection, was bequeathed to the City of Geneva in 1890. It is now home to a fine collection of porcelain and other ceramics from China, Japan, the Middle East and western Europe, displayed in the newly-restored building.

The museum is open every day except Tuesday, 10.00-17.00, and entrance is free. There is a small café on the first-floor balcony of the magnificent central hall.

● A pilgrimage to Richard Burton's grave: Further afield is Céligny, an enclave of the canton of Geneva in the middle of the neighbouring canton of Vaud. Take the train to Céligny station, and walk straight up the hill to the pretty village. A small road to the left (chemin des Grands Hutins) will lead you through fields past the newer cemetery to a quiet, shady grove close to the river.

Richard Burton, who had a house in Céligny for many years and is still remembered with mixed feelings by the locals, is buried here. His simple gravestone, which has no inscription other than his name and his lifespan (1925-1984), was later joined by that of the author Alistair Maclean.

Haig Simonian takes a look at the new international motor museum

Testament to tireless efforts

Big museums are usually owned by a city or a state. Inevitably, that means their collections are heterogeneous, because of their origins as gifts, purchases or, as in some famous cases, plunder.

Private collections can be more focused. But even then, eclecticism often gives way to personal prejudice, which can say as much about the owner's ego, wallet or, occasionally, brilliance, as about the subject concerned.

Geneva's spanking new international motor museum breaks both moulds. Opened in early March to coincide with the annual motor show, the museum is an object lesson in rational collecting. And, fittingly for a town best known for its financial acumen, it has been set up without a penny of public money.

The museum is a testament to the tireless efforts of Mr Pierre-Marcel Favre who has spent the better part of the past three years arguing, chivvying and cajoling bankers and bureaucrats to play ball. Best known for chairing Geneva's annual book fair, Mr Favre is also a keen vintage car collector. It was that passion, combined with a sense of national pride, which triggered his campaign to create a motor museum in Geneva. "We're a very international city; we have a big annual motor show. It's only right there should be a museum", he says. But unlike other big collections, such as in Mulhouse, France or Sinsheim, Germany, Geneva is a museum with a difference. Because it started from scratch, Mr Favre and his backers have been able to identify exactly what cars they wanted in advance.

In a booklet published before the opening, Mr Favre listed his ideal cross-section of the world's motor vehicles from their origins almost to the present day. That he managed to get so close to his dream is a testament to the strength of vintage car collecting in Switzerland and the generosity of his donors. "There are about 8,000 collectors and 30,000 vintage cars in Switzerland", he says. "It's only a small country, but that's proportionately higher than most places".

The goal was not just to create a static collection of cars, but to display the vehicles in their cultural and historical contexts.

A stroll round the museum's 14,000 sq m on two levels underneath a big new hall at Geneva's exhibition centre shows the concept has worked. The cars, grouped by country of origin, marque and age, are interspersed with mannequins dressed in the clothes of the day. A huge, armour-plated Soviet Zil, used to ferry Stalin around post-war Moscow, is displayed, appropriately, with a life-sized model of Uncle Joe on the back seat.

The ensemble is made more vivid by back projections and music of the day and country. The only jarring note is a recurrent cinematic theme around the exhibits, with old projectors and occasional mannequins of movie stars, which mar the underlying theme.

But the museum's biggest achievement is to have got going at all. The project is owned by a foundation, which is controlled by the 530 private shareholders who subscribed its base capital. A handful of corporate sponsors helped, while the regional lottery gave generously and the Swiss government threw in the land and premises.

The museum was also spoiled for choice when it came to cars. Its collection of about 500 vehicles means it is one of the biggest vintage and classic car museums in Europe. In fact, Mr Favre and his followers were offered more than twice as many vehicles as they planned to exhibit. That embarrassment of riches will allow the museum to swap short-term loans with replacements at regular intervals. The loans range from a minimum of a few months to much longer periods. And the exhibits have been augmented by long-term loans from some manufacturers. Daimler Benz has given nine vehicles from its company museum near Stuttgart; Aston Martin and Rolls-Royce Motors have also contributed. The museum has even received other cars as outright gifts. In time, it may augment its stock by buying some vehicles, although Mr Favre says this is unlikely for now.

Keeping the venture afloat will be his first priority as director-general of the museum and chairman of its guiding foundation. Mr Favre is confident the venture will survive without subsidies, with ticket sales alone being sufficient to keep it viable. Entry costs a steepish SFr15. However, while that may be high for foreigners calculating against the mighty Swiss franc, it is in line with local standards.

Special cut-price offers mean motor show visitors will get in for SFr10, while a discounted family ticket costs SFr30. Mr Favre reckons the museum needs 250,000 visitors a year to break even. That should not be too much of a stretch given its prime location at the exhibition centre and alongside Geneva airport. "If we start making money, we'll use it to pay back our bank loans", he says. The museum borrowed SFr11m to get it started.

About 65,000 visitors are expected during motor shows alone. Although Geneva itself is a relatively small city of just 170,000 inhabitants, the museum has a fairly wide catchment area. All of Switzerland's biggest cities are in easy motorway driving distance while France is just a hop across the border. According to Mr Favre, about 7m people live within 150km.

The museum's proximity to the airport, less than five minutes away on foot, suggests it may even draw custom from passengers waiting for connecting flights. Perhaps Mr Favre should turn his hand to aircraft next.